

## Developing new products

### A Gillette case study

#### First mover: advantages and risks

The Gillette Company has a long history of being 'the first to market...' in its own areas of operation. Its achievements include producing the first successful:

- safety razor 1901
- twin bladed razor 1972
- twin bladed disposable razor 1976
- pivoting head razor 1979
- pivoting head disposable razor 1980
- razor designed specifically for women - Sensor 1992
- triple blade razor - Mach 3 1998
- battery powered razor - M3Power 2004.

As well as being first to market, Gillette has also continuously produced products which feature improvements to existing technologies, including 3 bladed disposables and ergonomically superior handle developments, including Sensor, Venus Divine and M3Power.

This timeline above also demonstrates how the speed of innovation has accelerated with shorter and shorter gaps between new introductions and superior products. Being 'the first to' can bring advantages known as 'first mover advantages'. These include being able to generate initial consumer interest via both media investment and accompanying press and PR coverage. This then leads to the main retail stores displaying the products in-store and supporting the products with powerful promotional campaigns.

For as long as products remain the only one of their kind available, the 'first mover' can establish loyalty and reputation in its brands before potential competitors get going or catch up. A Brand is thus created.

There are risks to being the innovator, however. To be successful, the innovation process has to be conducted thoroughly. This usually involves a great deal of research, and in more than one form.

As well as being first to market, Gillette has also continuously produced products which feature improvements to existing technologies, including 3 bladed disposables and ergonomically superior handle developments, including Sensor, Venus Divine and M3Power.

### Researching and developing a new product

Properly conducted market research will identify the kinds of new, improved products that consumers would switch to if they become available. That involves asking the right questions of the right people, and also placing a proper interpretation on their answers.

In the past, manufacturers produced products and then tried to sell them to consumers. Successful organisations find out what the consumer wants and then produce this product for them. This is done via research.

There are two main approaches to market research.

- **Qualitative research.** e.g. working with several small focus groups comprising, for example, people who shave, and discussing with them what they look for in a razor/blades/shaving system. This generates a core understanding of HOW consumers use razors and what they think about the experience.
- **Quantitative research.** e.g. using a questionnaire with a large, representative sample of people; this data gives a broad view of the information, looking more at the numerical objective data rather than the more subjective data acquired via qualitative research. For example, how many people shave, what do they use to shave, what products do they buy?

From consumer research the company moves into technological research and development. This involves converting a good idea into a product design and then discovering whether modern technology is able to reproduce it to the high specifications required and in the quantities needed. Usually a firm will produce prototypes that can be test marketed on a representative sample of potential consumers. In the light of their reaction, the product can then be refined and developed until it is as good as it can be.

Within the original research and analysis, there is also another vital question which needs to be asked. "Will this proposed new venture generate profits for the company?" Many businesses have come unstuck by wrongly believing the answer to be "Yes". Usually, such businesses either underestimated the investment levels required for research and development, or the cost of setting up and operating the production process, or both.

Generally speaking, any business must be careful in estimating potential sales; some organisations may get into financial difficulties if they are overly optimistic in their planning which may result in them going bankrupt or being acquired by a better managed rival. Ironically, the rival may not be as creative but is better at managing their overall business.

A successful product will generally attract competition. Patents can protect products, but it is impossible to prevent other firms coming up with their own interpretation and application of the original good idea e.g. for self-adhesive labels, shavers, or subsonic aircraft.

In essence, the fact that competitors bring out products to challenge the original idea, is generally good for that category because the market becomes stimulated and total sales can increase. This is why product improvement through innovation in both concept and design has to be ongoing. This is also why Gillette have remained at the forefront of the shaving industry for the last century.

Properly conducted market research will identify the kinds of new, improved products that consumers would switch to if they become available.

### Beating the competition and growing the business

In order to guide itself and ensure the entire company is aligned in its objectives, an organisation often develops a vision statement. A vision statement is intended to convey what the organisation 'is all about'. It is important to internal audiences i.e. Gillette's staff, so they all know in which direction to pull. It is also important to external audiences such as the retailers who buy from Gillette and sell the products to consumers.

Gillette's vision statement reads:

*'To build total brand value by innovating to deliver consumers value and customer leadership faster, better and more completely than our competitors.'*

The component words really do matter.

- 'Delivering value' to consumers is not necessarily about being the cheapest, but about earning a reputation for high quality products that represent good value for money. That's true of many

industries, and particularly those in which consumers believe there is a direct relationship between price and quality.

- 'Customer leadership' involves discovering what customers most want and then finding ways to fulfil those wants. It also involves helping customers to obtain maximum value out of their purchases e.g. by providing supporting literature, sound advice and a good after sales service, including product guarantees.
- 'Faster, better and more completely' represent key targets. As suggested earlier, speed of response to changing market conditions can be vital to success. Aiming to be 'faster' recognises that being 'second to....' can lead to poor sales and low market share. Being 'first to ...' successfully can also generate intense product and brand loyalty from consumers. Leading the way with a firm focus on consumer needs.
- Aiming to be 'better' recognises that there are no gains from being first with a big breakthrough if the innovative product performs poorly, fails to meet the claims made for it, earns bad professional reviews, disappoints initial purchasers, and is rapidly followed by a clearly superior product from a rival firm.
- 'More completely' recognises that a razor is just one component of the much broader market of 'personal appearance and wellbeing'. 'Looking good, feeling good' is a many-staged process of personal grooming, of which shaving is just one aspect. It is no accident that Gillette is heavily involved in the market for deodorants and antiperspirants.

The company recognised that rising incomes would lead consumers to spend more on a 'total package' that enhances personal appearance, personal hygiene and as such developed a strategy to expand its position within this expanding market.

The market for razors is not one uniform market but a market that contains different segments, the needs of which have to be met in carefully targeted, subtly different ways.

Gillette recognised that different segments of the market are seeking different product benefits. So, over the years, it has sought to develop several product categories ranging from popular disposable razors to elaborate shaving systems. In the UK an increasing number of men have switched from disposable razors to shaving systems which fuels the market demand for handle and replaceable blades.

Gillette's overall emphasis is on providing premium performance via the best value for money shaving experience, whether this is a system razor for the discerning customer seeking the best in

shaving technology, or a high quality disposable product for people looking for a good quality shave with the convenience of a disposable.

Many businesses look to expand into related areas that offer opportunities for growth and also an element of protection through market diversity. Gillette has four core business areas.

- **Personal grooming** - a range of products using the Gillette brand, including razors, razor blades, shaving creams. Brands include Gillette, Gillette Series, Right Guard, Right Guard Extreme, Natrel
- **Portable power** - the full range of batteries and torches sold under the Duracell brand name
- **Oral care** - dental and oral care products e.g. Oral-B manual toothbrushes and Braun Oral-B electric toothbrushes
- **Electrical appliances** - domestic items e.g. dry shavers, hair dryers, hair stylers, under the Braun brand name. Personal diagnostic appliances e.g. electronic ear thermometers, under the ThermoScan brand name. Arrange of Braun household appliances including kettles, coffee makers and food processors.

Gillette is the market leader in the majority of these areas, and the company continues to invest in each of these core categories. Clearly, Gillette has grown not only by developing its core business but also by acquiring successful businesses with growth potential in markets related to its core activity.

It is important to internal audiences i.e. Gillette's staff, so they all know in which direction to pull. As suggested earlier, speed of response to changing market conditions can be vital to success.

### Identifying consumers' needs and wants: Gillette

Gillette's research shows that in 2002, more than 1.7 billion men over 15 years old remove hair daily, with over 80% using a blade and razor. From this, Gillette has calculated that the world market for blades, razors, shaving creams and gels in 2002 was in excess of £5 billion a year.

Gillette's research has also revealed that the primary factors that consumers look for include:

Through its market research, Gillette has identified two main segments of the male shaving market - Systems and Disposables.

Within the systems segment, we can identify two sub segments:

- **premium shaving systems**, such as Sensor Excel, Mach3, Mach3, Turbo and M3Power

- **standard shaving systems**, such as Contour and GII.

Within the disposables segment, we can now identify a further two sub segments:

- **Premium disposables** e.g. Sensor 3 Disposables
- **Standard disposables**, eg Blue II, Agilite.

Consumers' benefits depend upon which segment they buy into. For example, consumers in the premium disposable market may be seeking a convenient set of razors to take on holiday, whereas at the top end of the market those consumers buying premium shaving systems are looking for all-round top-quality shaving experiences.

Gillette's advertising focuses on clarifying premium product benefits. This is because more and more consumers are preferring to move up-market to premium shaving systems.

The standard disposable razor is still extremely popular but there is a clear trend to system razors, such as M3Power and Venus Divine. Nevertheless, Gillette has still improved its market share in this segment because of the quality, value for money, and reliability of its disposable products.

Gillette's philosophy is very clear in whatever the consumer chooses to shave with, whether a systems product or disposable, Gillette wishes to give that consumer the opportunity to shave with the best product possible.

Gillette's Blue II and GII products remain key and the company is convinced that consumer satisfaction with its products leads them to continue to buy its products when they are ready to trade up to more sophisticated market segments. It is therefore an entry-level product in the same way for example, a smaller BMW 3 Series represents the first rung on the BMW ladder.

## Conclusion

Gillette has a long, distinguished history. It remains innovative. Its scientists, technicians and product engineers are continually trying out new features and production techniques with a view to improving product performance e.g. how to:

- get the closest and most comfortable shave
- make longer-lasting batteries, which meet the changing needs of the consumer
- produce increasingly effective and best in class electric and manual toothbrushes
- design the ultimate userfriendly ear thermometer, or the most technically advanced shaver.

The company's longstanding interest in being 'first to get it right' remains a key element of its continuing prosperity and progress.

Its scientists, technicians and product engineers are continually trying out new features and production techniques with a view to improving product performance.

Contributed by: Prof. Ashutosh Pandey & Sarita Srivastav

Source: <http://businesscasestudies.co.uk>