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Procter and Gamble Europe: Ariel Ultra's Euroband Strategy

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One Sunday night in July of 1989, Claude Meyer and his delivery team for Ariel Ultra were on a train speeding from Brussels to Paris. They had spent 18 months developing P&G's first compact laundry detergent for the European market, and now, as they were finalizing the details of a meticulously planned pan-European launch, they learned that Unilever was about to launch a similar product in France—two months ahead of P&G.

Meyer, European Regional Vice President for laundry products, and his team were brainstorming responses to their longtime rival's pricing tactics, package sizes, and a premium-niche marketing strategy, all of which differed significantly from P&G's European plan. As the train sped towards Paris, they debated whether to change their approach to the French market to meet Unilever's challenge, or continue with their original intention to implement a consistent Europe-wide strategy.

P&G Europe: Background and History

Twenty years earlier, the problem of responding to Lever's launch would have been less complicated. At that time, each fully-integrated major European subsidiary was structured as a microcosm of P&G in the US, often headed by expatriate American managers, and typically reflecting the unique culture, values, marketing practices, and financial discipline that P&G had developed to become the leading consumer packaged goods company in the United States. Within that strong corporate framework, however, subsidiary General Managers (GMs) became "the kings in their countries." Each GM had a clear mission to adapt P&G's proven products for his local market, and to use the company's time-tested brand management approach to gain leadership in his country. Selecting from a portfolio of products, typically originating in P&G's domestic operations, they built local positions that fit with their specific country needs and market opportunities.[1]

A small regional office in Brussels was created to control some central research capabilities housed in the European Technical Center (ETC), and later extended its role to provide minimal coordination of subsidiary activities. (Despite its development into a broad-based regional headquarters, it was still referred to as ETC). Under this model, P&G's European subsidiaries developed into independent, largely self-sufficient, and highly entrepreneurial operations with a sense of internal competition among the GMs that helped drive rapid growth through the 1960s and 1970s. ETC's role in this period was primarily to provide administrative oversight and support as called for by the GMs.

Although the majority of senior management in P&G Europe in this era were US expatriates, by the late 1970s a "cadre" of promising young local managers were offered the opportunity to spend a few years in P&G's Cincinnati headquarters before moving back to Europe. The ultimate career goal of many was to become a subsidiary GM — each the "king" in his home country's operation. It was about this time that P&G's traditional organization model began to change.

1 In several instances, European product formulations and brand names became more successful than the US transplants. For example, while Tide detergent did not do well, a European laundry formulation with a localized brand name, Ariel, was introduced in several markets in the 1960s. The formula, packaging, and position differed from one country to the next, but the brand became P&G's flagship detergent in Europe.

European Integration: Round One

During the last half of the 1970s, the political and economic entity of the European Community finally began to develop into reality. It was triggered in part by the 1974 oil shock, and the resulting economic downturn, and subsequent competitive pressures forced many companies to consider the value of better cross-market coordination within Europe. Because petrochemicals were the base of many of its raw materials, P&G was particularly impacted by these changes, and by the late 1970s, under the leadership of Ed Artzt, Group Vice President for Europe, the company was making its first serious attempts at pan-European coordination of the autonomous subsidiaries. ETC began gaining clout.

The first organizational group to take a clear step toward European integration was the product development division (PDD) headed by Wahib Zaki, a dynamic leader who was concerned about the inefficiencies and duplications caused by the fact that most PDD staff were located in the subsidiaries. Zaki recognized that by gaining consensus in product formulas, he could not only reduce product development time and costs, but could also leverage the strong development capabilities residing in several subsidiaries. As a first step, Zaki created Euro Technical Teams of PDD staff from the country organizations, assigning them to joint European projects.

In 1980, with the support of Ed Artzt, he further formalized this European link by having subsidiary-based product development staff report to two bosses: a PDD director at ETC and their local subsidiary GM. The change did not come easily however, as a German PDD manager recalled: "As a junior person, I was in a very difficult position. ETC expected me to get my GM into line on European developments, and the GM expected me to hold off ETC on standard formulations...Only strong people could handle the situation."

Nonetheless, by the early 1980s, a number of other functions also began exerting more Europe-wide coordination. Purchasing was a classic example. Raw materials represented a major portion of P&G's product costs, yet there were major discrepancies in the prices charged for chemicals sold to the country organizations, often by the same suppliers. Recognizing the potential economies, ETC purchasing staff negotiated a European price for large-volume supplies and developed a list of preferred suppliers. Predictably, local resistance was strong, and purchasing agents in the subsidiaries often ignored the European contracts and recommendations. Again, with senior management's support, ETC formalized the initial loose links in 1982 by centralizing the purchasing responsibility for key bulk ingredients and relocating many core purchasing activities to Brussels.

During the same period, the size and role of the regional finance manager's staff also increased. With a mandate from Artzt to gain tighter control of overhead expenses that were running more than 50% higher than equivalent expense levels in the United States, the European finance staff began taking a much more active role in tracking and controlling subsidiary costs. And soon after, manufacturing and engineering followed suit, with ETC staff taking a stronger role in subsidiary plant policy, resulting in a more matrixed relationship with subsidiary managers responsible for these operations. (See **Exhibit 1** for a representation of the organization in 1982).

The most difficult challenges in providing more effective coordination were undoubtedly felt by the marketing activities that had been so strongly rooted in the national subsidiary organizations. The first serious attempt at coordinating European marketing strategy was the so-called "Pampers experiment" of the late 1970s, in which a manager from the German subsidiary was moved to ETC and given responsibility for overseeing the marketing activities for disposable diapers across all subsidiaries. The experiment ended in failure when subsidiary GMs, no longer feeling responsible, withdrew local support for the brand. Eventually, management decided to abandon the experiment, and in the early 1980s, responsibility for marketing remained firmly in the hands of subsidiaries.

The Birth of Euro-Branding: The Vizir Launch

Despite the failure of the Pampers experiment, ETC management remained convinced that some form of coordinated European marketing strategies were vital if the company was to eliminate the diseconomies of its product and brand fragmentation. (Ariel, for example, was produced in nine different plants, had nine different formulas and was positioned for low- and high-temperature washes, depending on the market.) Even more worrying was the increasing frequency of competitive leapfrogging, as companies like Unilever, Henkel, and Colgate took advantage of P&G's uncoordinated roll-out of products and won first-mover advantages in new markets—often by imitating a successful P&G strategy in another country. (A classic example was Colgate's entry into the French disposable diaper market by replicating P&G's German Pampers strategy, and beating P&G into that market by two years).

Learning from failure of the centralized Pampers experiment, management at ETC decided to build on the success of the Euro Technical Teams to create a coordinated marketing approach. The opportunity to create a pan-European launch strategy using the first Euro-Brand Team (EBT) came with the development of Vizir, a heavy-duty liquid laundry detergent developed for the European market. Led by the brand manager from Germany, the designated lead country for the new product category, the Vizir EBT was composed of the marketing managers from all participating subsidiaries and key European functional managers from ETC (product development, manufacturing, purchasing, etc.). But the EBT role was still largely informal, and because subsidiary GMs were still responsible for country profitability, they could disagree with proposals made by the EBT or even completely ignore its negotiated agreements. In the end, the GMs in three key countries—United Kingdom, Italy and Spain—decided to opt out of the coordinated European launch of Vizir.

Although it successfully defined the Euro-brand concept, in terms of market share and profitability, Vizir did not come up to expectations. This was due partly to the unanticipated simultaneous launch of a competitive product from Henkel, and partly to the underestimation of the difficulty of converting consumer usage habits to the unfamiliar liquid form. Still, the organization, learning from Vizir, turned its attention to a variety of other brands with potential for cross-market coordination, and the concept of Euro-branding was established.

European Integration: The Second Thrust (1985-1989)

By the mid 1980s, most managers in P&G Europe realized how difficult cross-market coordination was. While the informal matrix approach and integrative teams had helped, the inbuilt conflicts continued to create confusion and tension, often without significant compensatory gains. As they searched for effective ways of capturing the potential benefits of integration, managers at ETC gradually began to assume more direct control, and many of the dual-reporting relationships were abandoned. For example, in 1987, the European-level manufacturing, engineering and purchasing functions were combined to create an ETC-based Product Supply Operations (PSO) function. Although local plant managers worked as European units, they were bound by local union and national government pressures (which, in part, GMs were expected to deal with) to continue to report to GMs on day-to-day issues.

Two years later, the product development organization also eliminated its dual reporting structure, requiring instead, subsidiary laboratory staff to report only to PDD managers in Brussels. Unsurprisingly, subsidiary GMs expressed concern that they no longer had responsibility for the consumer research and market testing that was housed in their local development groups and which, they felt, was vital to their ability to tailor product features, advertising copy and marketing strategies.

The power shift in marketing was not as clear, although there were many at ETC pushing for stronger regional management. The most aggressive move in this direction had been taken some years earlier by the European Vice President responsible for the paper category.[2] Concerned about P&G's slow penetration of the disposable diaper markets in southern European countries, in 1985, he essentially revived the earlier Pampers experiment by appointing a manager with Europe-wide responsibility for brand strategy and profitability. The new manager quickly recognized that the problem was that the southern markets faced much tougher competitors than that which existed in Germany, long regarded as Europe's benchmark operation for diapers. As a result, he concluded that P&G would have to substantially upgrade the product attributes and marketing approaches that had previously been based on the successful German Pampers strategy. By 1986, a new upgraded product (e.g., using higher absorption materials) and an aggressive new marketing strategy (e.g., creating differentiated boy/girl products) resulted in a major success for new Pampers Europe-wide. It was a success noted with interest by other European VPs. (See **Exhibit 2** for the organization in 1989).

In the eyes of ETC managers, the European coordination efforts were paying off, as P&G Europe's profits finally began to rise in the late 1980s.

> "In 1988, Europe achieved $100 million in profits after only $25 million in 1985..." said Claude Mancel. "This is impressive growth especially since profit was growing faster than revenues. We felt we were entering the golden years of growth."

An Emerging European Laundry Products Strategy

It was in this context that Claude Meyer began to develop his new European laundry products strategy. Meyer was the European VP for the Central Europe region (France, Belgium, Switzerland and Austria) who also had Europe-wide responsibility for laundry products.

2 Since the early 1980s, each of the three European VPs responsible for key regions was also given oversight for one of the major product categories—paper products, detergents and cleansers, and personal care products.

Reporting to him were the four country GMs, and, on a matrixed basis, the laundry category managers from all the European subsidiaries.

Particularly from the viewpoint of the GMs, the economic logic and strategic imperative for a strong European approach to laundry products was less clear and compelling than for the more standardized, capital-intensive disposable diaper business. Differences in washing habits, phosphate legislation, competitor mix, packaging standards, and even perfume preferences had made the standardization of detergent products difficult in the past. Even Liquid Ariel, the second-generation liquid laundry detergent that followed Vizir, was a single Euro-formula for only a short time before ETC management gave in to local pressures to adapt perfumes, package sizes, and promotion strategies. Yet Meyer was convinced that P&G could help lead the convergence of laundry practices and preferences if he could find the right product around which to rally the European organization.

Meanwhile, laundry product development had become increasingly coordinated on a European basis throughout the 1980s. In the search for European efficiencies, Claude Mancel, Vice President of R&D for Europe, continued to redirect his R&D resources away from their traditional role of supporting country-specific adaptations of existing products and toward major new product development with Europe-wide potential. Since early 1985, the laundry group under the leadership of Rinert Schoene had been focused on developing a concentrated detergent powder in single-dose sachets, its first major new product development effort since the work on heavy-duty liquids in the late 1970s and early 1980s.

The sachet was a product born of a concept originally developed for the Vizir marketing program. In response to Vizir's perceived usage problems—liquids did not work in detergent dispenser drawers and sometimes ran down into the washing machine's sump—PDD had developed a plastic dosing ball that could be filled with detergent and placed right in amongst the laundry in the machines. The advertising copy positioned this adaptive innovation as taking the detergent to "the heart of the wash." In both consumer perception and actual performance terms, the idea turned out to be a powerful and effective one, and PDD wanted to capitalize on it. Subsequent development efforts resulted in the concentrated powder in sachets also designed to be placed "in the heart of the wash."

The Compact Challenge: Responding to Attack

In June 1987, Kao, P&G's major competitor in Japan, launched a revolutionary new detergent that, within six months, had captured almost 30% of the Japanese market. Appropriately, the new product was called Attack, and its uniqueness came from a new technology that condensed hollow detergent particles to deliver the same washing power with less than one-third the dosage volume of regular powder. Sold in small, squat boxes, the new compact formula, Attack, had great appeal in a country where storage space was limited. The success of the product was so immediate that many in P&G—including Ed Artzt, now head of P&G's International Division—immediately began to wonder if there was potential in other countries.

At about the same time as the Attack launch, *Advertising Age* published a story that greatly bothered Artzt. It highlighted the simple truth that "international competitors all knew what P&G's new products would be, simply by monitoring the company's activities in the United

States." In order to show that innovation and leadership in P&G should no longer reside exclusively in the United States, Artzt, encouraged Europe to be the first to replicate the Attack success. He also recognized that P&G needed a response to the growing and apparently unstoppable European environmental movement that was increasingly focused on detergent producers, and felt that this product had potential to meet such pressures.

When Artzt laid down his challenge to the European management team, they were in the middle of their test market for the sachets they had been developing for over two and a half years. While intrigued by Attack's success, they questioned whether the concept had the same potential in Europe not only because European detergents were already highly concentrated, but also due to the fact that European consumers were less space-conscious than their Japanese counterparts. Besides, they told their boss, the new Ultra Packs that they had worked so hard on actually contained a new concentrated Ariel formula. But Artzt was not impressed and reiterated his challenge at each meeting. He pointed out that the sachets were expensive to manufacture, that their bulk negated the advantage of compactness, and that historically, consumers had not embraced the concept of a pre-dosed detergent. He pushed them to develop a product that had "true Attack potential."

Mancel took the challenge back to PDD where Schoene and his team began to rethink Ariel Ultra as a free-flowing compact detergent. By adjusting the formula and removing 10% of the fillers, the PDD team made the product even more compact. Eventually, despite their years of work and investment, Schoene's laundry team decided to kill the sachet project and redirect the resources to Ariel Ultra compact. They recognized that the powerful "heart of the wash" concept they had been developing would allow them to deliver more concentrated cleaning power using less powder per wash. Schoene and his team then designed a reusable cloth dosing dispenser that would serve the same function as the Vizir dosing ball. By delivering the product directly into the wash rather than through the European drum machines' normal dispensing cups, they found that they could achieve better washing performance than conventional detergents' one-third less powder.

When they presented the new Ariel Ultra concept to Artzt, they immediately won his full approval. (See **Exhibit 3** for product concept and packaging evolution). The only moment of hesitation came a few months later when Unilever (which had learned about the sachet project, but not about its demise) launched Surf sachets in Italy. At that time, a few senior executives wanted to reconsider sachets, but Meyer and Mancel were not swayed. "Ultra concentrated powder was the first, big, continuous European initiative," said Meyer. "This was our chance to prove that the new organization could work."

The Ariel Ultra Delivery Team

With the Ultra concept defined, Meyer and Mancel were committed to speedy development and launch, and by May 1988 had appointed a full-time delivery team. The core members were Charles Murray, a PDD manager who had been involved in the product's development, Peter Williams, formerly a plant manager in the United Kingdom and now a member of PSO, and Rob Ratcliffe, the financial analyst on Meyer's small two-person ETC staff. They were to report to Meyer, who set them the objective of market testing by January 1989, and launching by September of the same year.

Murray and Williams immediately shared the responsibilities and began driving initiatives back into their respective organizations. Murray focused on chemical specification, process development, and packaging, while Williams led initiatives in materials purchasing, manufacturing, and engineering. They soon co-opted others from PDD and PSO into three sub-teams to focus on major developmental issues: one group worked on an agglomerator that was key to the production process, another conducted consumer research to fine tune the product design, and the third focused on unresolved packaging issues.

One result of the cross-unit collaboration was a faster, more efficient development process. For example, by working with materials purchasing specialists in PSO, the chemical development experts in PDD were able to adapt the formula to take into account material availability and cost effectiveness. And from the PSO perspective, early involvement gave the purchasing team the time to ensure guaranteed supply of scarce specialty chemicals at guaranteed prices.

With regard to marketing, rather than giving Europe-wide responsibility for laundry products, as paper products had done, Meyer decided to create a task force that was a modified form of the Euro-Brand Team structure developed for the Vizir launch. In this way, he hoped to engage the marketing managers located in each country. Learning from past experience, Meyer imposed two conditions on membership: first, the task force would discuss only European level issues—country specific issues were off the agenda; and second, the marketing managers could participate only on condition that they had the power to commit their local organization to any decisions made. These two conditions ensured that the monthly meetings would not get bogged down in details, or have to reopen earlier decisions that had subsequently been vetoed by a general manager, as happened too often in the old EBTs days. Furthermore, the marketing task force was led by Meyer himself, not a subsidiary GM as had been the practice in the old EBTs days. Finally, Meyer was careful to keep subsidiaries well informed. As one GM recalled, "The agendas were published before meetings, and I discussed everything with the marketing manager. If I had to, I would call ETC to get more information. Before he left for the meeting, the marketing manager and I would agree on what positions he would take and what range of commitments would be acceptable."

The Euro-Brand Controversy

Given the pressure to launch in 18 months' time, Williams and Murray soon realized that only one formula could be developed for a test launch of Ariel Ultra. This would be quite a shift from the practice with the regular Ariel detergents, which typically came in a variety of country-specific formulas—phosphate and non-phosphate, various densities, several perfumes, and a whole range of package sizes and designs—reflecting the various washing machine designs, consumer habits, and historical GM dictates. Mancel and PDD supported a single formula, built to the highest common factor specifications for all European markets, citing the long-held P&G creed that its products were demonstrably better than the competition and offered consumers "superior total value." But the improved performance and the fast launch potential of a single European formula came at a cost: the phosphate substitute alone was estimated to increase raw material costs by $1 per case. Unfortunately for Meyer, Mancel and the Ultra delivery team, the benefits they were promising—offering a superior formula, removing production complexity, increasing organizational speed—were largely unquantified, and some were unquantifiable. With the worry that if they slowed down to study scale and efficiency benefits, a competitor might beat them to market with a compact detergent, the ETC group urged management to accept the potential savings "as an act of faith." In a company with a long and deeply-held tradition of making decisions based on hard facts, this was a lot to ask of the organization.

Meyer saw a single formula as just the first step; he wanted to develop an integrated Ariel Ultra strategy for Europe. In response to this objective, Williams and Murray were working to achieve a single package size, consistent pricing policy, and common brand image and positioning. In this initiative, the biggest question was whether P&G should try to convert the whole market to compact detergent, or take a more conservative flanker strategy. If a conversion strategy was preferred, pricing and packaging would be targeted at attracting existing, satisfied regular detergent users; if a flanker strategy was used, P&G would have to create a premium priced, high-margin niche, up-market from regular detergent. Because it was difficult to forecast either the conversion costs or potential economies of the former strategy, the debate about the desirability of conversion again proceeded on little hard data.

Mancel and Schoene's PDD laundry group became strong advocates of the full conversion option. They argued that the company could make huge market share gains with the better performing product and the more convenient package size they had developed. They were also aware that their counterparts at Unilever were also probably developing a compact detergent, and that the first mover would have a huge advantage in defining the market characteristics.

Dissension Among the GMs

While the GMs were excited about the general prospect of a major new product innovation, not all of them were optimistic about Ariel Ultra. One GM described his concerns:

> "Centralized groups like PDD had very different goals and interests from subsidiary level managers. Its fine for Meyer and Mancel to say they can't quantify the potential savings, but there is no European detergent category profit center. Because of P&G's structure and incentives, GMs have to be as interested in delivered cost as in product performance."

To the GMs, the concept of a single formula posed serious questions about a Euro-brand strategy that minimized local differences in market conditions. If Ultra was to meet the tough environmental standards in Germany, Scandinavia, and the Netherlands, for example, it would need a phosphate-free formula, and that would add about 10% to the product cost. But subsidiary GMs in the United Kingdom, Spain, France, and other countries where phosphate was not restricted, were very disturbed about the single-formula principle, arguing that they felt they could not justify the higher price to their consumers. As a result, this added cost would come right off their bottom line at an estimated loss of $25 million for Europe.

The GMs also argued that ETC underestimated enduring differences in country-to-country consumer behavior. Preference for powder or liquid and dominance of high- or low-temperature washes varied widely; national differences in perfume preference were regularly confirmed in test panels; the buying behaviors of French consumers loading up their cars at *hypermarchés* contrasted with that of the Dutch housewife bicycling to the corner store to make her purchases; and the wide differences in local pricing structure would seem to block any attempt at Europe-wide pricing. (ETC's influence on pricing was also sensitive, since this was one key tool the GM controlled to manage subsidiary profitability on which he was judged.) (See **Exhibit 4** for a summary of market differences).

Furthermore, the GMs pointed out, P&G's competitive position differed from country to country. In the Dutch, United Kingdom and French markets, Unilever was a major competitive force; Germany was the home market for Henkel; and Colgate was a strong and sometimes disruptive factor in France. (See **Exhibit 5** for a summary of competitive differences). The GMs argued that these differences would affect the specific impact of marketing policies, even if a similar strategy was adopted throughout Europe.

Indeed, despite Attack's success in Japan, several GMs remained unconvinced that the compact detergent concept was even viable in their markets. The Italian GM, for example, pointed to the limited acceptance of the previous generation of liquid laundry detergents as evidence that conservative Italian consumers would not see value in detergents being compact. In France, according to local management, consumers were accustomed to bulk purchases of heavy packages—mineral water, for example—and did not value compact packaging. And in Germany, large surface area hypermarkets did not create the premium for shelf space that was evident in countries like Holland that had many more smaller stores.

Finally, several GMs reacted strongly against ETC's favored conversion strategy. Arguing that they had excellent market position and profitability with existing products, they saw no reason to jeopardize their existing profitable situation. A conversion strategy was highly risky and, they suggested, could send consumers to a competitor's traditional product. Some GMs were more cautiously optimistic about the alternative flanker strategy, however. Such was the case in France, for example. The French subsidiary's detergent line had historically suffered poor profitability, primarily due to the pressures of a highly-competitive market in which four major manufacturers each battled to promote more than 20 brands. (See **Exhibit 6**). While the French GM was intrigued by the possibility of a potential profit boost from a high-margin premium-niche market, he also wanted to keep the shelf space allocated to the existing product range to block new entrants and squeeze out weaker competitors.

This debate about Ultra's proposed strategy was important to the GMs, due to the fact that laundry detergent was a bread-and-butter product for them. While European profits had risen dramatically in the late 1980s (see **Exhibit 7** for a graphic—but uncalibrated—representation used by ETC management to show the link between new product initiatives and profitability), the GMs were conscious of continued pressure to achieve profit improvement. And, as they frequently reminded the staff groups, if ETC-driven strategies and initiatives failed, the results and responsibility would show up on the subsidiaries' bottom line.

Resolving the Differences

While the delivery team wanted to engage the subsidiary managers in discussions about the new product, they also wanted resolution with unanimity. Having been involved in the Vizir launch when four key countries simply opted out of the European roll-out, Meyer and Mancel both wanted to avoid such a situation at all costs. But they could not afford to make too many concessions to individual countries to win their cooperation. Above all, they were committed to making Ultra a true Euro-brand.

The ETC leaders decided they would have to coerce key subsidiary personnel into thinking on a European scale. In one tactic, Meyer ensured that various Europe-wide marketing projects were assigned to subsidiary representatives on the marketing task force. The United Kingdom marketing manager, for example, took a lead role in package design, working with PDD to develop a strong unified image for all Europe. Another strategy was commitment to a concentrated European outreach program to engage subsidiary management in the launch planning. Meyer, Murray, and Williams visited each country organization, setting up meetings focused on country specific issues of the launch. Murray recalled the difficulty of some of these meetings:

> "We deliberately included managers from all functions because we wanted to dilute the subs' marketing side. They were usually the strongest opponents to the European policies, and we wanted to soften the confrontations."

As Meyer recalled,

> "This slow process was actually a cultural adjustment. People need time to change. Going too fast would kill the organization." But the objective of the various discussions was always to get agreement on and commitment to a European strategy for Ultra. As one manager said: "That's how we work here. We disagree, we argue, but once a decision is made, we get on with it."

On the sensitive positioning issues, the marketing task force compromised on the two competing proposals by deciding to launch with a flanker strategy, but with a long-term goal of achieving conversion. Some at ETC questioned the logic of this decision. For example, PDD laundry team leader, Rinert Schoene, felt that such a decision would prevent the company from promoting the new product as strongly as it could for fear of implying that compact was the "new improved" Ariel and the traditional product was the "old inferior" Ariel. Nonetheless, he and his ETC colleagues went along with the two-stage compromise.

Other key policies were also resolved through negotiation, with ETC yielding to local subsidiary demands where they needed to. On packaging, for example, it was agreed that marketing needed to educate consumers about the compact concept by creating "equivalent-to-regular" package sizes. Since sizes varied from country to country—Dutch and English consumers made frequent purchases of small quantities (1 or 3 - kilo packages), while French and Italian consumers bought large packages (typically 5 and 8 - kilo packages)—two or three standard Euro-packs were deemed infeasible. However, Williams managed to insist on a single package design and single "footprint" (i.e. consistent box base dimensions to simplify setups on the packaging lines). In addition, the task force agreed to adopt a broad range of standard pack sizes from which countries could select.

On pricing policy, the marketing task force rejected ETC's proposal for equivalent cost-per-wash pricing due to the subsidiaries' need to improve margins. Instead, they decided to price slightly above the cost per wash for regular, but below for liquids like Vizir, which had been premium priced. Because of national differences in everything from competitive rivalry to recommended dosage, any thought of a single pricing standard was dismissed. However, the task force agreed to a consistent policy of pricing at a cost of about 15% higher per wash than the established local price of regular Ariel, and clearly below the 30% premium typically charged for liquids.

The most controversial issues to resolve between ETC and the subsidiaries turned out to be the "highest common factor" product formulation. Its most vocal and persistent opponent was John O'Keefe, GM of the U.K. subsidiary, who felt that Ultra's phosphate-free compact formula was just too expensive for his market. Months of passionate discussions followed between O'Keefe, Meyer, and Mancel, with little visible progress. Initially, Harold Einsmann, P&G's European VP, did not interfere in the debate, although it was widely known that he was strongly in favor of a single formula. Eventually, a number of forces intervened to push the issue toward resolution. First, Henkel launched Bright White, positioned as an environmentally-friendly "green" product. Soon after, Sainsbury, the U.K. supermarket chain, launched an own-brand non-phosphate detergent. Then, Williams and Murray responded to the GMs' pressure by promising formula improvements that would reduce the non-phosphate cost premium from one dollar to 50 cents a case. When O'Keefe finally conceded that a non-phosphate flanker strategy could be made to work in the United Kingdom, Einsmann confirmed the decision: P&G would make a single compact formula, a decision for Europe that he acknowledged may not have been optimal for each country.

The Roll-Out

One point on which the task force was in unanimous agreement was the need for an early launch of Ariel Ultra. Meyer developed a launch schedule based on some specific principles—the need to establish lead markets, a commitment to matching Lever's initiatives, and a principle of launching Ultra in every country before adding a second compact brand. The speed of the roll-out would depend on the rate at which plant capacity could be converted, but the objective was to reduce sequencing delays to a minimum. And, beyond agreeing that conversion to compact was a long-term goal, no specific timing was set for the two-phase strategy. Indeed, with the exception of P&G Holland, most countries adopted a "wait-and-see" perspective on their commitment to full conversion.

The German Launch

Operating on the principle that roll-out speed was more important than country-tailored launch precision, the task force proposed launching on market information obtained from a few quick test markets. As Williams described it:

> "Our test marketing was a 'no negatives' check and a quick 'how to sell' test, not the traditional P&G six to eight month test market in each country designed to define the business potential of the product concept."

In February 1989, only six weeks behind schedule, a minimal set of market and consumer tests was launched in Saar for Germany, Monte Carlo for France, and Carlyle for the United Kingdom. Even before all the test results were in, Ariel Ultra was launched nationally in

Germany in May. The German marketing group launched a 2-kilo size compact, fully equivalent to a regular 3-kilo size, and developed an advertising message designed to attract attention by initially emphasizing Ultra's benefits to the environment, then subsequently promoting product performance. This emphasis on less packaging and fewer chemicals was particularly relevant in Germany since P&G's German rival, Henkel, had positioned itself as a "green" company in its environmentally sensitive home market.

The French Launch

In the European roll-out plans, Meyer had scheduled France for a September launch, timed for *la rentrée* when families returned from vacation and children went back to school. While the French marketing manager, Alain Lorenzo, and his team were open to the compact concept and were keen for a new product that might regain the momentum they had experienced with the liquid detergent introductions of the early 1980s, they still had lingering doubts about Ultra's potential. Lorenzo pointed out that the recent introduction of a concentrated fabric softener had not been a big success in France, illustrating, in his view, that compactness was not a big advantage to the French consumer. He explained:

> "France is a "bulk-size" country. The success of the *hypermarché* has meant that consumers are not so concerned with small boxes. They bring their cars and load up. In fact, our most successful recent promotion has been a double pack of two 8-kilo boxes of Ariel!"

Still, the Monte Carlo test market went ahead, offering the 3-kilo box of Ariel Ultra, promoted as roughly equivalent to the popular 5-kilo box of regular detergent, and the 5-kilo box as doing the same number of washes as 8 kilos of regular. In keeping with the overall strategy, both were priced slightly higher per wash than the regular, but lower than the liquid. While not specifically referring to Ultra's non-phosphate formula, the launch positioning featured an environmental theme.

Early test results suggested positive market response (see **Exhibits 8** and **9**), and by June, the French launch proposal was sent to Cincinnati for approval. The plan reflected the fact that distribution in France was dominated by the *hypermarchés* with 85% of P&G France's sales being made through only 1,000 stores. While suburban *hypermarchés* did not face the same shelf space constraints as small stores in city centers, it was always hard to slot in a new brand. Yet Lorenzo and his team felt they could argue that, because Ariel was such a major brand and because P&G was committed to educating consumers on the new concept, compact could eventually lead to increased turnover per meter of shelf space.

In terms of message, ETC's delivery team convinced the French team to follow the innovative advertising campaign that had induced a high level of trial in Germany. Although the French market was less "green" than the one in Germany, they felt the environmentally sensitive campaign would be a viable counter to Henkel, which had recently bought the French brand "Le Chat," and was building on that brand's established "pure" image to promote it as the dominant environmentally sensitive product line.

Lever's Launch

In late June 1989, soon after its launch plans had been completed, the French team was stunned to hear through the industry grapevine that Lever was planning to launch Skip Micro in July of that year. They assumed that their old rival had monitored Ultra's launch in Germany and its test market in France, and decided to capture first-mover advantage in the French market.

In the weeks before the official launch, Murray obtained a package of Skip Micro and ordered an analysis of its contents. The analysis suggested that Lever had achieved the compact form by simply removing the "fillers" from the formula for regular phosphate-based Skip. Murray also concluded that Unilever's new product offered poorer performance than either regular Skip or Ariel.

When Skip Micro was launched in July, the Ultra team faced an even more troubling issue. The new product came in 2.2 kilo packages, which Lever advertising claimed were equivalent to 5 kilos of regular. To educate consumers about the compact concept, Skip's ad. theme was "2.2 = 5." Equally troubling was their decision to price Micro below the 5-kilo pack of regular. This would appear to be a better value product for consumers than Ultra if the French team implemented the planned 15% price premium strategy. After a thorough analysis, however, P&G researchers concluded that a much larger dose of Skip Micro was required to achieve equivalent cleaning power, resulting in a cost per job even higher than that of Ultra.

From P&G's perspective, it was not clear what Lever was hoping to achieve. Lorenzo suggested that, as number two competitor, they were simply trying to protect their detergent position in the French market. (The number three competitor in the laundry market usually did not make money). At ETC, more complex theories emerged. Both Mancel and Meyer thought their competitor probably knew its product was inferior and speculated that Unilever's French GM simply may have wanted to induce consumers to try compact and then reject it, thereby damaging the valuable segment P&G hoped to develop. Yet another scenario suggested that Lever was buying time, using a quickly developed, lower quality product to gain first-mover advantage, but planning to upgrade the formula as quickly as possible.

How to React?

As the train pulled into Gare du Nord, Meyer and his delivery team were still trying to figure out how the rules surrounding the planned September launch had changed and what implications these changes had for Ariel Ultra's success in France and Europe-wide. At some point, Unilever's product would define the French consumers' perception of compact detergent, perhaps negatively. Should P&G make public their internal studies that disputed Lever's claims about Skip Micro's performance? Would that further discredit compact? Worse still, might there be a backlash against P&G?

More specifically, Meyer wondered if the team should modify its carefully planned launch strategy. Lorenzo and his local brand manager felt strongly that the plans had to be significantly changed in order to respond to the Skip Micro challenge. For example, they argued that Unilever's pre-emptive strike had effectively obsoleted Ultra's proposed positioning of its 3-kilo box as the equivalent to 5 kilos of regular. They suggested that plans for the 3-kilo box be scrapped and that a new 2-kilo box be substituted. Despite the fact that this size was not among the standard European package options, they argued that at 10% smaller than Skip Micro's 2.2-kilo package, the 2-kilo size would support Ultra's compact image.

Responding to a consensus that P&G should not match Unilever's "2.2 = 5" claims which they judged misleading to consumers, the French managers proposed simply dropping the equivalency claims that had been proposed for the European positioning of Ultra, substituting a more general message, "Beaucoup de lavage—peu de lessive" ("Lots of cleaning—little powder"). They also felt they would have to price the new 2-kilo pack significantly below that of a 5-kilo pack of regular, although, at the recommended dosage, Ultra's cost per wash would still be 10-15% higher. Finally, they argued that the planned environmental theme should be moved into the background, and that a more performance-based message replace it in the launch advertisements.

These were significant changes to Ultra's packaging, positioning, pricing, and promotion strategy, that Meyer and the ETC delivery team had so carefully constructed, and they were not at all convinced that such last-minute deviations from the European roll-out plans were either wise or necessary. Would this be the beginning of yet another unraveling of what looked like P&G's best chance at developing a true Eurobrand?

As his ETC lieutenants hailed a taxi for the French office, Meyer's mind turned from the complexities of the actual decisions to the subtleties of how they should be made. If there were differences in perspectives, as there seemed to be, how should they be resolved? What impact did all the recent changes in the ETC subsidiary relationships have on the roles and responsibilities of the key players?

Exhibit 1

P&G Europe Organization Chart, 1982 (Abbreviated Form)

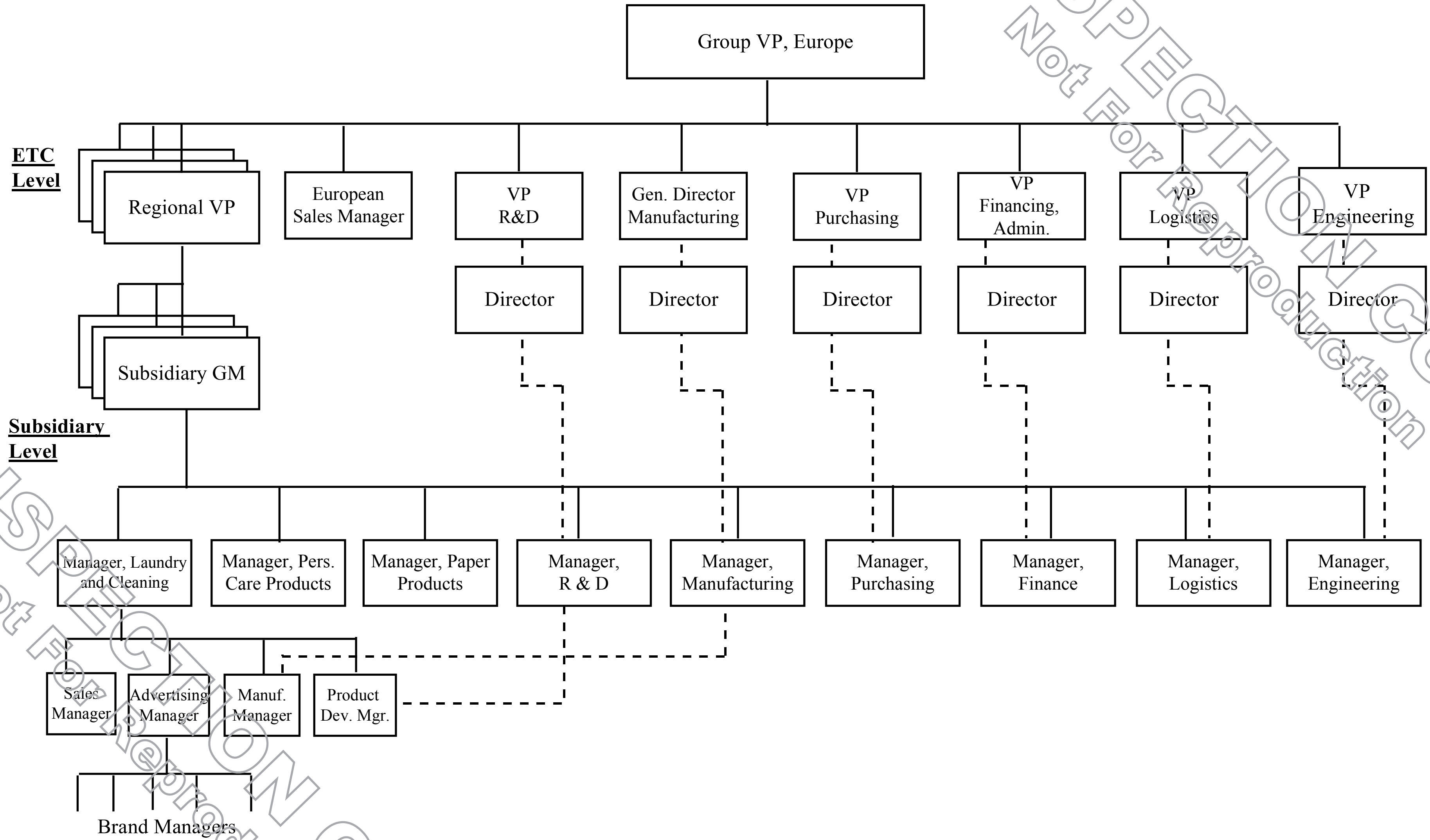

Exhibit 2

P&G Europe Organization Chart, 1989 (Abbreviated Form)

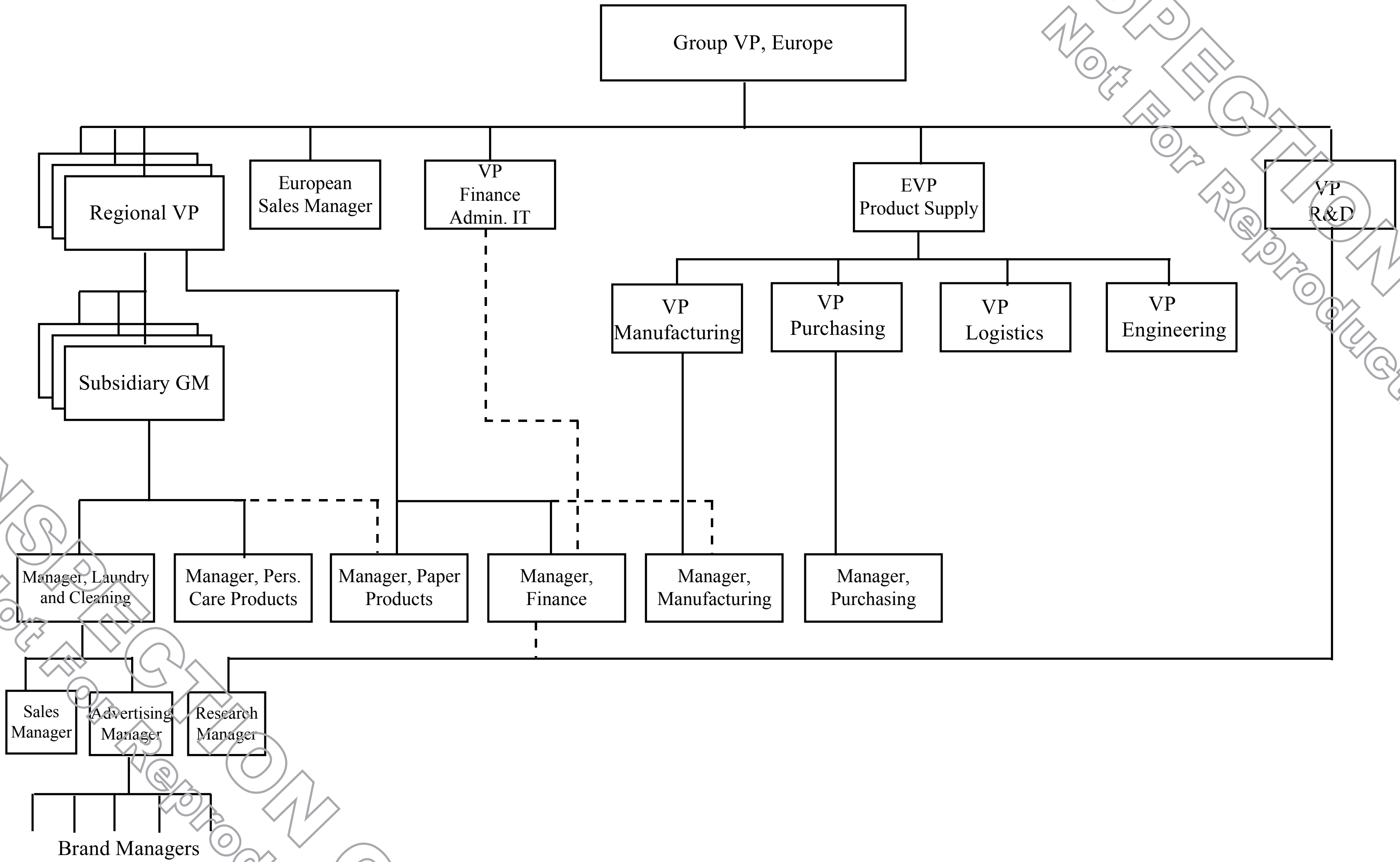

Exhibit 3

Evolution of Ariel Ultra Concept and Package: 1987-1990

Exhibit 4

Cross Market Comparisons:
Comparison of Selected Washing Practices—1988

						Type of Wash (as % of Total Loads)			Main Package Sizes			
	Market Size $ Millions	% Share for Powder	% Share for Liquid	% Households With Washing Machines	Total Loads Per Week	% High Temperature Wash (+60F)	% Low Temperature Wash (-60F)	% Handwash	Powder (kg)	Liquid (liters)	Ave. dose per wash (grams of powder)	Anti-Phosphate Laws?
France	1233	80	20	85	4.8	36	57	7	5.0	3.0	220	No
West Germany	1271	90	10	84	3.8	40	55	5	3.5	2.0	190	Yes
Italy	750	88	12	93	7.9	36	33	31	4.8	3.0	240	Yes
United Kingdom	1141	65	35	87	6.6	26	60	14	3.0	2.0	150	No
Belgium	208	85	15	90	4.8	40	55	5	3.5	2.0	215	No
Holland	280	80	20	93	5.4	42	52	6	3.0	2.0	170	Yes

Exhibit 5

Market Size and Competitive Positioning – 1988

	Market Size $ Millions	P & G Brands	P & G Market Share	Lever Brands	Lever Market Share	Henkel Brands	Henkel Market Share	Colgate Palmolive Brands	Colgate Palmolive - Market Share
France	1233	Ariel Bonux Vizir	31.0	Omo Persil Coral Skip Wisk	28.4	Super X Xtra Mir Le Chat	19.1	Paic Genie Axion Gama	14.1
West Germany	1271	Ariel Raz Dash Vizir	27.5	Sunil Coral Omo	16.1	Persil Weisser Riese Perwoll	39.6		
Italy	750	Dash Ariel	31.2	Bio Presto Surf	13.2	Dixan Perlana	15.2	Axion 2	1.9
United Kingdom	1141	Ariel Bold Fairy Raz Dreft	48.4	Persil Radion Surf Wisk	37.2				
Belgium	208	Ariel Dreft Dash Vizir	45.2	Omo Radion Coral	11.2	Dixan Persil	13.0		
Holland	280		25.2	Omo Sunil All Robijn	22	Dixan Persil Witte Reus Fleuril	21.5		

Exhibit 6
Competition in the French Detergent Market: Market Share by Brand, 1988

Company (Brands)		Share (%)
Procter & Gamble (Bonux-machine, Bonux-handwash, Lava, Dash, Ariel, Vizir, Ariel-liquid, Bonux-liquid)		31,0
of which Ariel-powder	11,5	
Ariel-liquid	3,5	
Lever (Omo, Persil, Skip, Coral, Lux, Wisk, Skip-liquid, Omo-liquid, Coral-liquid)		28,4
of which Skip-powder	9,5	
Skip-liquid	2,5	
Henkel (Super-Croix, X-Tra, Mir-woolens, Mir-coloreds, Mohair, Mir-express, Le Chat-machine, Super-Croix-liquid, Mir-coloreds-liquid)		19,1
Colgate-Palmolive (Paic, Genie, Axion, Gama)		14,1
Store Brands		7,4
Total (representing 8,000 million FF)		100,0
of which liquid	30,0	

From Points de Vente, Oct. 1, 1989
L'Expansion, 23 Nov/6 Dec 1989

Exhibit 7
Growth of European Profit against Product Initiatives
Unscaled Representation 1980/81—1988/98

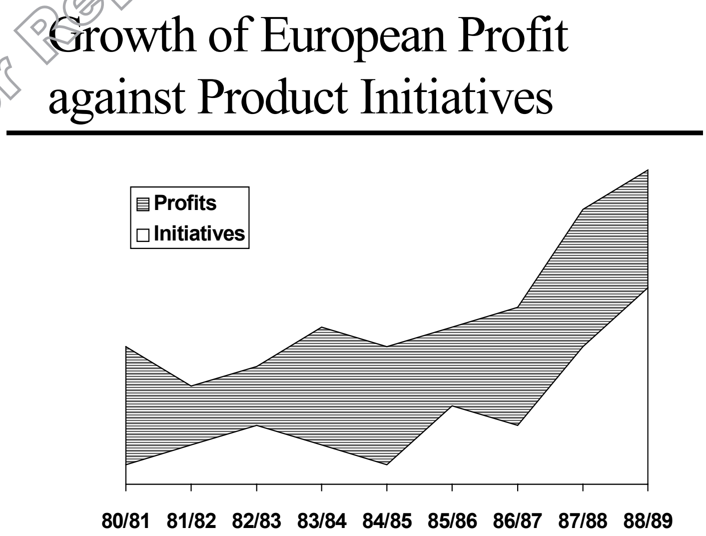

Exhibit 8

Ariel Ultra France: Test Market Results

1. Shipments

Cumulated results after four months exceed objectives by + 16%. The slow test market start in months one and two reflect the late break of advertising (week seven) and the need for consumer education. These are fully addressed in our national plan.

	Monthly Objective	Actual	Index vs. Objective	
	Msu	Msu	Msu	Cumulative
March 1989	3.5	1.8	51	51
April	2.4	2.4	100	76
May	2.7	4.2	156	98
June (estimate)	3.0	5.0	167	116

2. Sales Offtake (Sales Panel)

This panel of five big stores represents 40% of the test area total turnover.
Offtake buildup was slow in the first weeks and increased substantially after the start of advertising, sampling and in-store demonstrations.

Ph.Cs/week	Ariel Ultra	Ariel Powder	Ariel Liquid	A. Ultra as a % of Ariel Powder	Total Ariel Index vs. Base	
					Month	Cumulative
Base (prev. 6 months)	–	645	327	–	100	100
March	63	594	271	11%	96	96
April	145	561	309	26%	104	100
May	232	658	275	35%	120	107
June	368	621	284	59%	131	113

Exhibit 9
Ariel Ultra France: Market Research Results

1. Early Brand Evaluation Study

French results are satisfactory and in line with those obtained in Germany and are generally higher than those obtained by Ariel Liquid 12 weeks after the start of advertising.

% of Surveyed Group	Monte Carlo (4 weeks after advert)	Ariel Ultra Saar, Germany (4 weeks after advert)	For Reference: Ariel Liquid Monte Carlo (12 weeks after advert)
Ever used[a]	14	9	14
Ever purchased[a]	8	6	7
Purchase intent (regularly/occasionally)	45	52	32
Brand awareness	64	65	57

[a]Note: Percentage of users exceeds percentage of purchasers due to sample distribution.

2. Early User Reaction Study

Run among users four weeks after their first purchase, these results evidence an excellent acceptance.

	Tele Monte-Carlo	For Perspective: Saar, Germany
Repurchase intention (% of sample)		
Would definitely repurchase	59	69
Would probably repurchase	36	24
Total	95	93
Overall rating		
Excellent %	59	20
Very good %	36	49
Comparison with usual brand (cleaning)		
Better than usual brand	47	60
As good as usual brand	51	32
Average number of scoops per load	1.5	1.3
Average consumption	140 g	120 g
% consumers having bought second pack	41	32

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