

A razor-sharp strategy

Gillette's dominance of the razor-blade market means it must drive profitability in innovative ways

Times are tough for marketers right now, so let me take you away to an oasis of consumer loyalty, where huge margins and a ridiculously dominant market share are the norm. Where private-label is non-existent and your biggest competitor is your second-string product. No, it's not a fantasy. It's the alternative marketing universe occupied by Gillette.

Thanks to years of innovation and heavy investment in marketing and advertising, Gillette occupies perhaps the most dominant position of any consumer goods brand in the UK, with an 85% share of razor-blade sales.

Common sense might suggest that you would sit back and count the half-billion pounds in annual revenues this market share delivers. Gillette, however, is owned by Procter & Gamble, and while even the best marketing company in the world can't improve much beyond that level of market share, there are plenty of other levers to pull to generate shareholder value.

First, drive profitability. Market share might have reached its zenith, but that doesn't mean your margins can't be squeezed. One industry insider recently claimed that, despite a pack of four Fusion razor blades retailing for £9.72, the manufacturing and packaging costs for the product are less than 30p. That's a whopping mark-up of more than 3000%. How about that for a margin?

Second, practise positive cannibalisation. Gillette launched its five-blade

Fusion line in 2006 with a 30% price premium over Mach 3, its previous three-blade offering. With an 85% market share, it makes more sense for Gillette to focus its marketing on switching its own customers from Mach 3 to the more profitable Fusion line than trying to win any more competitor share. That is why Gillette is spending millions to compete against itself with ads and online comparisons to convince its Mach 3 consumers that their current razor is simply not good enough and to trade up to Fusion.

Third, drive usage. This has always been the number-one way to fuel profitability. In Gillette's case the company is now investing heavily in an online campaign to encourage consumers to use their Gillette razor downstairs as well as upstairs. Videos with powerful messages, such as 'When

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One of the joys of an 85% share is that you can run general campaigns to grow total category usage, safe in the knowledge that most of the upturn in sales will benefit your brands.

Fourth, don't just sit there, extend the brand. You have a billion-dollar brand equity, so use it to take control of other related categories. For Gillette that has meant a successful foray into the 'software' side of shaving with a 55% share of the UK's shaving-cream category and a growing slice of deodorants and shampoos, too.

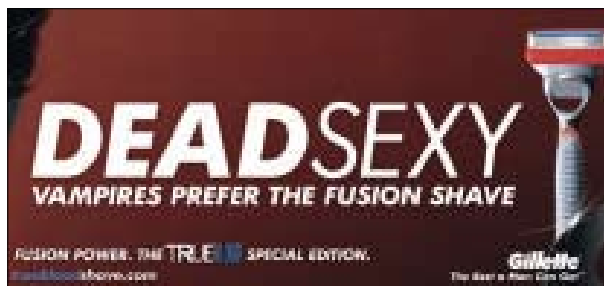
Finally, stay frosty. Today's market dominator could end up tomorrow's has-been brand. The vast majority of marketing spend in the FMCG world is focused defensively on maintaining share. It is no surprise therefore that Gillette is one of the brands linked to the hottest TV series of 2009 – HBO's *True Blood*. Its tie-in campaign shows a vampire endorsing Fusion as the best shave for the undead. It will deliver defensive awareness while keeping the brand contemporary and hip.

You think you have it tough with your shrinking share, puny margins and tiny budget? Look how hard Gillette has to work with 85% share, 3000% mark-up and no real competition.

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30 seconds on... Gillette's unusual marketing challenge

■ Gillette's 'Go further with body shaving' videos feature on the brand's YouTube channel. The series uses a bare-chested animated man to explain the benefits of 'taking care of the hair down there'. The different spots then provide a series of simple tips on how to shave unwanted **groin, back and chest hair**.



Gillette tie-up with *True Blood* vampire drama keeps brand fresh

■ 'Our goal was to engage guys in a dialogue on the whys and how-tos, and to do it comfortably and reassure them in a **funny and entertaining way**,' says Tim Williams, a Gillette marketer. Williams adds that Gillette research had found that about **one in three men shaves hair on parts of the body besides the face**.

■ Procter & Gamble shaving products are the subject of an **Office of Fair Trading investigation** into alleged **price-fixing** by retailers and manufacturers.

■ Gillette's US ads use the line **'Sometimes you need a little push** to let go of your **Mach 3**'. They show **Tiger Woods** knocking the razor from a man's hand with a golf ball.