1995-01-01

IMR case study - Kleen

Brenda Cullen

University College Dublin

Recommended Citation

Cullen, Brenda: IMR case study - Kleen. Irish Marketing Review, volume 8, 1995, pp 1-6

IMR Case Study

Kleen

This case looks at a firm's dilemma about whether or not to invest in developing an existing brand in a rapidly changing detergent product market. Three experts comment.

On Wednesday morning Deirdre McMahon, marketing manager with B&M, was completing a presentation she was to make that afternoon to her managing director. She intended to propose a strategy which she believed would ensure the survival of one of the company's liquid detergent product range: Kleen. Central to her strategy was a significant advertising and promotional programme to revitalise the brand. There was a certain amount of urgency in presenting this document as there was a rumour within the sales force that a key retailer was considering delisting Kleen.

B&M had been very successfully manufacturing and distributing detergent products for over 25 years. During that period the company had also built a formidable reputation through its handling of a number of significant agency lines in related businesses within the fast moving consumer goods industry. Apart from detergents, which it manufactured, the company distributed some major global brands in a number of sectors which included toiletries, cereals and baby foods. B&M was now one of the largest distributors in the grocery trade in Ireland with a sales forces of 40 and a very good reputation.

Market Analysis

The market for liquid detergents had reached maturity with less than 1% growth over the previous three years. It was a highly competitive market dominated by two significant brands which together accounted for 48% market share. These top two brands were high quality, global products with a spend of at least 3.5% of sales annually on advertising and promotion.

Private label brands in this market accounted for approximately 15% share. This share was dominated by the very keenly priced St. Bernard and Yellow Pack labels. Kleen was the next largest brand in the liquid detergent market with 8% market share. The remainder of the market was made up of a plethora of brands with shares of 6% or less. All these smaller brands competed aggressively for shelf space through continuous and aggressive promotional campaigns and trade discounting methods.

A significant factor in this mature market was that retail concentration was increasing. In 1994 55% of all liquid detergent sales went through the two main retailers, Dunnes Stores and Quinnsworth. This trend was increasing and as a consequence the smaller brands were constantly concerned about possible delisting.

Kleen

Kleen had been launched onto the Irish market 18 years ago. It had been a very important brand for B&M in earlier days when the company was building its reputation with the grocery trade. Within three years of launch Kleen had achieved a steady 20% market share. Over the years the company had innovated through improving formulations, adding new fragrances and pack sizes and periodic pack design changes. Kleen had always been considered a premium Irish product, and its marketing strategy had remained consistent over the years. The company had no doubt, and indeed recent research had confirmed this, that the product was as good a any other brand on the market.

Despite these innovations, between the years 1989 and 1994 Kleen began to rapidly lose market share. Up until 1991 it had been company policy to spend a minimum of 3.5% of sales on advertising the brand. However, with a gradual decline in market share, this percentage of sales was no longer adequate for television advertising campaign which was traditionally the medium used by the major brands in this sector. Since 1992, Deirdre, in conjunction with B&M's advertising agency, had generated some very creative radio campaigns. These campaigns had attempted to clearly position Kleen as a premium Irish detergent. In 1994 however, most of the marketing budget had been diverted into below the line expenditure.

The marketing department still believed that Kleen had very strong intrinsic brand values which must be nurtured. The production department, however, was becoming anxious about falling volumes and the effect it was having on maintaining capacity. The production director was beginning to exert pressure within the company to seriously consider the request from one of the largest retailers in Ireland to manufacture its private label brand.

As Deirdre was putting the finishing touches on her proposal, Jack O'Brien, B&M's sales manager, curtly interrupted to inform her that he had it from reliable sources that Kleen was about to be delisted from a major retail chain unless the company could offer more attractive terms. Jack was looking for an increase in trade promotional expenditure from the marketing budget in order to gain additional shelf space and some in-store display to improve sales.

The temperature in the room had risen considerably when Deirdre argued that this sort of trade activity should be funded through the sales department's budget. Furthermore she argued that any sort of trade discounting was undesirable as it could undermine the value of the brand. Jack retorted that Kleen was rapidly running out of time and needed a short term solution to save the brand from a possible delisting. Deirdre had not forgiven herself for her parting shot; she had intimated that the sales force were not putting enough weight behind the brand as they considered it a 'difficult sale' and bonuses were not available.

Proposal

Now Deirdre needed to concentrate on the proposal. The essence of her presentation argued for the revitalisation and relaunching of Kleen within six months. She was proposing a new pack design specifically for the Irish market and a totally new advertising programme. A minimum of £300,000 must be spent on the brand to ensure that it regained its share and position as the premium Irish liquid detergent brand. Already Deirdre could hear the response of her managing director to this proposal; while certainly B&M would consider her proposal, he would, however, like to see projections for the level of sales she had forecasted to ensure payback on this investment within 18 months.

QUESTION:

SHOULD THE COMPANY PROCEED WITH THE MARKETING MANAGER'S PROPOSAL?

COMMENTARY

Michael Carey, Marketing Director, Irish Biscuits Ltd

B&M is at a cross-roads in its corporate development path. It started life as a manufacturer and evolved into an organisation whose core business is grocery distribution to an ever more concentrated and aggressive retail trade. They are now a very strong distribution company whose main competitive strengths are sales and distribution. They have a brand (Kleen) in the liquid detergent sector which is in a weak third position being squeezed between two global high quality brands and a selection of cheap products which trade solely on price. The Kleen brand appears to have no clear competitive market position. Consumers who want a product of high quality with a quality image are choosing the global brands. Consumers who want a cheaper economy offering are going for one of the wide range of cheap brands or private label products. The Kleen market share has slipped from 20% to 8% simply because there has been no reason for consumers to purchase the brand.

Premium	*Between*	*Economy*
Global brands	Kleen	Price led brands
		Private label

A number of short term and long term issues are in conflict. In the short term the maintenance of reasonable volumes and listings by retailers are in conflict with the longer term issues of building a brand which has real consumer value. This conflict has led to the usual topics of conversation between production, sales and marketing.

Future Strategic Options

There are three clear routes forward for this company :

1. Reduce the product quality/costs of the Kleen brand and join the 'cheapies' in the economy sector. In addition the company can enter into agreement for contract production of private label brands.
2. Dramatically raise the brand's quality image and compete with the global brands on their terms.
3. Position the brand in a narrow niche and selectively accept the opportunity to produce private label contracts.

Option 1 will provide B&M with some volume to fill its production line at relatively low margins. It is reasonable to expect a doubling of volumes when it combines the likely private label volume with the likely increased volume on the Kleen brand at its lower price (at least in the short term). While this will give some short term value, it will eventually lead to the death of the brand Kleen and to an unstable and weak contract production business in future years.

Option 2 is the marketing purist route and the one which the present marketing manager of B&M seems to be attempting to follow. It will, I believe, in this instance most likely fail as a company such as B&M will never have the financial nor technical source to match the brand investment and innovation programmes of the global manufacturers. The most likely 'source of business' for Kleen under this option is the present consumers of the global brands. However those manufacturers will not sit back and allow Kleen to take the volume which they see as theirs in this mature market. Even if the Kleen brand raises its share by a few percentage points, the cost of maintaining the brand at that level against the major world players is unlikely to be capable of being funded by a number three brand such as Kleen.

Option 3 is my preferred route forward. Entering the private label sectors needs to be a step taken with great care by a company such as B&M. There is great danger that (i) this move will distract the company sales function from the job of building the company's brand, and (ii) that if not handled correctly, the production of the private label product will damage the Kleen brand at the consumer level. However I believe in this instance (given that the sector is being dominated by the two global manufacturers and that private label products are presently available at 15% of the market) little damage will be done to the Kleen brand if the brand and private label products can be seen to be different (i.e., different packaging, formats, shape of bottle, size of labels, etc). If the resource created by the private label contracts can be consciously channelled into the investment programme for the Kleen brand, then this dangerous route can be turned to the advantage of the brand. Also, given that the private label route therefore should be to selectively accept opportunities to produce a number of private label products in both Ireland and the UK thus spreading the risk of contract loss. The company should avoid finding itself with one or even two major private label customers. The private label products should be distinct from the brand and preferably should be sold in only at head office level to the retailer not handled by the company's general sales force. The funds generated by these contracts must be invested in the Kleen brand if this is to become the optimum route. The first stage for Kleen must be to develop/identify a real competitive market position (CMP) which provides the consumer with a reason to purchase the brand rather than any other. The CMP must become the central plant of any redesign and/or advertising programme. Possible CMPs might be:

1. The strongest liquid detergent (high concentration)
2. The best smelling liquid detergent (a strong fresh smell)
3. The greenest liquid detergent (only degradable ingredients)
4. The most kind liquid detergent (does no damage)

The correct CMP will depend upon the likely value placed on these offerings by the target consumer and the positioning presently held by the leading brands. It may lead to a more narrowly focused niche positioning than presently, but the resultant smaller market share is likely to be more profitable and more secure.

Conclusion

B&M must make this strategic decision very quickly. If the brand becomes delisted by a number of major retailers, it will be very difficult to relaunch it in six months or a year. A company of this size must make its marketing decisions in a total company perspective. While the purist/textbook approach to developing this brand may suggest rejecting the concept of private label, B&M must recognise that it is not a major global player in this sector and that its correct strategic option is not the same as that facing major global manufacturers. If the Kleen brand is to have a bright future, it must find an effective competitive market position and invest at a high level to establish that position in the consumer's mind.

John Breslin, Account Director, DDFH&B Advertising

Kleen finds itself in a matured market which appears to have polarised into three distinct sectors. Unfortunately, Kleen and other lesser brands appear to be caught between the rock and the hard place. On the one hand there are the two market leaders: global brands with all that global implies in terms of marketing expertise/back-up. In addition the global marketers are likely to have a plethora of other brands to leverage with when it comes to trade negotiations. While on the other there is the sizeable private label sector, dominated by two retailers and a real threat given where the concentration of sales lie.

The relaunch and 'hoped for' future success of Kleen is extremely important to B&M from a bottom line point of view. A successful indigenous brand, be it Kleen or others, is more desirable for the company. A total profit made on the sales of these brands goes straight to B&M whereas with their agency lines there is going to be some repatriation of profits. Deirdre has decided that there is a future for Kleen. A successful future will be based on a long term strategy. The short term desires of her sales manager will do nothing for Kleen in the long term if the experience of the other lesser brands is anything to go by. The peaks of their trade activity would appear to be mirrored by the troughs of their inactivity.

The suggestion by B&M's production director to supply private label may be of benefit to Deirdre in her relaunch. At one stage Kleen held 20% market share. This spare capacity should be allocated firstly towards the planned for increase in market share and secondly towards supplying private label. Supplying private label will not only provide resources to fund the future of Kleen but will also help buy 'favours' from the retailer in question when it comes to the relaunch. Deirdre should ensure that her marketing plan does not over promise. She is dealing with a mature market showing static growth. Unfortunately, the two global brands are spending less on their marketing budgets than is required to drive category growth (8-10% of sales is the norm for marketing budgets for FMCG brands).

For many clients marketing represents their single biggest outlay and within this advertising takes the lion's share of the marketing budget. At an initial glance, particularly to non-marketing people within B&M, Deirdre's planned budget of £300k appears to be a lot. In reality it is not. Unlike Kleen's global competitors, Deirdre does not have a ready made pool of advertising copy at her disposal. Their advertising production budget will be a fraction of her's. Furthermore the cost of a new pack design can run into astronomical sums of money before the new pack hits the shelves.

Maximising Local Flexibility

To succeed Deirdre needs to box clever against the global brands. Global brands are designed to transcend national borders thereby increasing economies of scale. However local markets have idiosyncrasies and a global brand can have difficulty in adapting to this. Deirdre needs to use Kleen's local flexibility in developing a local market USP which will give her an edge over the globals. It could be specially formulated to suit Ireland's soft water washing conditions or something of that ilk.

It is clear that a product research has been undertaken with favourable results. Furthermore there would appear to be no brand information available. Therefore the starting point for her marketing proposal should be a total brand audit through both quantitative and qualitative research. This start will allow Deirdre demonstrate to the MD that she is taking a responsible approach before committing the majority of the budget. From the research Deirdre will have a better idea:

- of the target audience for the sector
- why they use liquid detergent?
- why current users are loyal to the brand?
- what happened the lapsed users?
- whether the packaging needs changing?
- whether there are any previous advertising properties that can be used in the relaunch?
- whether 'Irish made' has any relevance?
- where her increased market share is likely to come from?

The research will also allow Deirdre and her advertising agency focus on understanding the consumer, the starting point for all advertising. This ensures creative solutions that say the right thing while interfacing with or influencing the consumer. For the relaunch, television is a must. The detergent market advertising is all about demonstration and this is what appears to shift the product off the shelves. If Kleen performed particularly well in the product test, product comparison advertising may be an option but Deirdre should be prepared for a massive onslaught from the 'global two'! Television will signal clear intentions about B&M's plans for Kleen to the trade and will also help to reassure the reluctant salesforce.

While demonstration advertising appears to work for detergents, it does so because of the sheer weight of advertising spend thrown behind these brands. Deirdre's spend will appear insignificant beside the two market leaders. Therefore she should look at shorter copy lengths, 20 & 10 seconds, which will increase her levels of TVRs and effective reach of her target audience. Her agency should draw up and agree a buying brief with a correct peak/off peak ratio that will allow them avail of cheap daytime spots that will deliver housekeeper TVRs. Furthermore because Kleen has been off air for more than two years it will qualify for a 20% TVR bonus from the national television company, RTE.

An in-store trade element is also required for the relaunch. These should take the form of value added 'extra' free packs for the same price as on the standard pack. Couponing to the consumer is another option but trade discounting should not be considered as it demonstrates weakness in a brand. To highlight the new packaging, gondolla ends (of the store) should be negotiated. If this proves too expensive then Deirdre could look at a joint end promotion with a complimentary product from within the B&M portfolio, e.g., a fabric softener. Perhaps they could be banded together?

There are two further issues that Deirdre needs to address: to present her plans to both the trade and her salesforce. The timing of both of these is crucial as new news travels fast within marketing/retailing. Both of these should be full blown face to face presentations. There are countless other above and below the line activities that Deirdre could consider. However given her limited budget she should concentrate on a limited number of options with intent. For the record her budget of £300k should be allocated as follows:

• Advertising:	Media	£200k
	Production	£ 45k
• Below the line:	Packaging	£ 20k
	Trade Activity	£ 35k

Brenda Cullen, Lecturer in Marketing, Graduate School of Business, UCD

The objectives of this case are, firstly, to describe the debate that can occur within organisations faced with 'distressed' brands. Secondly, to illustrate a trend within the fast moving consumer goods industry which is affecting the future of the branded business: the growing power of the retail trade and the development of distributor brands.

The issues in the case have been dealt with, very comprehensibly, by the two experts. Broadly the view of both experts is that any viable strategy, which will ensure the sustainable and profitable growth for Kleen, must revolve firstly around the appropriate positioning of Kleen within the market. The challenge for B&M is to identify consumer needs, develop a product that delivers value appropriate to these needs and then to carry it via a brand that communicates a unique proposition to consumers.

If B&M can astutely position Kleen within a market niche and invest to develop the appropriate brand proposition then the brand has a chance. It must of course be a real competitive market position which the larger competitors cannot easily emulate. Possibly, as suggested, a unique proposition which reflects the needs of the local market. Both experts suggest, for different reasons, that B&M should take out some 'insurance' on Kleen by producing private labels. There are a number of benefits in this strategy; it will help to fund the investment required for developing Kleen, ensures that production capability is maintained, and could help arouse some favour with at least one retailer when relaunching Kleen.

There is another view, that Kleen is not worth saving due to the changing industry environment, in particular the continuing growth of retailer concentration There is an argument that the marketplace is becoming too tough for some brands. The challenge from private labels has been increasing to the point where the cumulative management skills of retailers now enables them to develop brand values around their product lines, offering quality products at a competitive price with a strong image. The question is whether brands such as Kleen will be able to survive in this environment.

'Trapped' Brands

Brands which are most vulnerable are identifiable by the following characteristics; loss of distribution through key retailers, no clear market position, little innovation, increase in proportion of expenditure on trade promotion and reduction in advertising expenditure. These brands are 'trapped' having failed to nurture their brand proposition over time. Many companies are finding it strategically sensible to turn off the life support for such 'trapped' brands which no longer have the strength to compete in an industry facing increasing buyer concentration and power. Kleen may possibly be identified as such a brand. If it is, then Kleen has run out of time and any investment in attempting to build the brand may be very risky.

However, determining the right actions to bring Kleen onto a path of sustainable, profitable growth is only part of the issue. The case also reflects some loss of strategic direction within B&M, in particular we note the different perspectives on the brand from within the organisation. Competitive success can only be achieved through matching core and distinctive competences of the company as a whole with market needs. It appears that B&M has built a core competence over 25 years in the area of distribution and sales. However, the gradual demise of the Kleen brand suggests that B&M lacks particular expertise in manufacturing and marketing. If Kleen is delisted, then B&M credibility could be seriously diminished amongst retailers, who currently rate the company very highly. It is essential therefore, whether the Kleen brand is retained or not, that the company undertakes an internal company analysis to identify its distinctive competences. If these competences are not found to be in manufacturing and brand development, then they must seriously consider the value to the company in continuing to manufacture a vulnerable brand for a limited market.

Author

This case was written by Brenda Cullen. Prior to joining UCD she worked in marketing management positions for a number of FMCG companies. Her research interests are in the area of trade marketing and corporate communications. The case is hypothetical and the names used are fictitious.