ISCTE Business School
Instituto Universitário de Lisboa

# RECRUITING, EDUCATING AND RETAINING CUSTOMERS:

THE CASE OF LISTERINE®

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--- Spine --

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**Abstract**

In 2015, the mouthwash category is stagnated and facing some challenges: increase penetration and frequency. Is becoming more dependent of promotions, and some brands are negatively feeling this trend and have felt the need to adapt their strategy to stay sustainable.

Despite this negative trend, until 2014 this category had been presenting an outstanding performance since the need to use mouthwash was created among customers. Listerine® was responsible for alerting for this necessity. Now it is crucial to understand what is generating these problems.

The main objective of this case study is to allow marketing students or professionals to develop their knowledge, both strategic and operational.

In this sense, the case concerns the analysis of Listerine® brand, understanding its values, vision, positioning, strategy and objectives. Also to understand the mouthwash category, its importance, its evolution, the competitive environment and its customers. With such analysis, the case proposes to identify what are the opportunities for Listerine® in the mouthwash category.

For the construction of the case, research was made about the market, category and brand as well as a literature review that fits conceptually the diverse variables in the case: Customer Education, Customer Acquisition, Customer Behaviour, Customer Retention and Customer Loyalty. A set of questions was developed to address the case topics as well as the proposed resolution proposal so that those who use the case can draw all the necessary conclusions and develop their knowledge in the covered areas.

**Keywords**: Customer Education, Customer Acquisition, Customer Behaviour, Customer Retention

**JEL**: M31 – Marketing

## Resumo

Em 2015, a categoria de elixires bocais está estagnada e enfrenta alguns desafios: aumentar a penetração e a frequência. Está mais dependente de promoções e algumas marcas estão a sentir negativamente essa tendência e sentem a necessidade de adaptar a sua estratégia para se manterem sustentáveis.

Apesar desta tendência negativa, até 2014 esta categoria vinha apresentando um desempenho muito bom desde que a necessidade de usar elixir foi criada entre os consumidores. Listerine® foi responsável por alertar para essa necessidade. Agora é crucial entender o que está a causar estes problemas.

O principal objetivo deste estudo de caso é permitir que os estudantes ou profissionais de marketing desenvolvam os seus conhecimentos, tanto estratégicos como operacionais.

Nesse sentido, o caso consiste na análise da marca Listerine®, entender os seus valores, visão, posicionamento, estratégia e objetivos. Também para entender a categoria de elixires, a sua importância, a sua evolução, o ambiente competitivo e os seus consumidores. Com essa análise, o caso propõe-se a identificar quais são as oportunidades para Listerine® na categoria de elixires.

Para a construção do caso, foi desenvolvida uma pesquisa sobre o mercado, a categoria e a marca, bem como uma revisão da literatura que se encaixe conceptualmente nas diversas variáveis do caso: Educação do Consumidor, Aquisição do Consumidor, Comportamento do Consumidor, Retenção do Consumidor e Lealdade do Consumidor. Um conjunto de perguntas foi desenvolvido para abordar os tópicos do caso, bem como a proposta de resolução, para que aqueles que usam o caso possam tirar todas as conclusões necessárias e desenvolver os seus conhecimentos nas áreas abrangidas.

**Palavras-chave:** Educação do Consumidor, Aquisição do Consumidor, Comportamento do Consumidor, Retenção do Consumidor

**JEL**: M31 – Marketing

*"The only place where success comes before work is in the dictionary."*

*- Vince Lombardi*

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# 1. The Case Study[1]

In 2015 Listerine® is going through some difficulties. This brand is the number one mouthwash in the world and the leader in Portugal – excluding private labels. However, it is not having the healthy performance of the past years. Sales, penetration and frequency of use are decreasing. The Listerine® Brand Manager is worried about this scenario, and has a huge challenge in his hands: how to find new strategies to fight this negative trend and recover the positive performance of the brand.

In this case study, you will have some data and insights from the previous years, and you will be asked to play the role of the Listerine® Brand Manager to help him solve these issues and recover the brand´s positive performance.

## 1.1. Listerine®

Listerine® is a Johnson & Johnson (J&J) brand that competes in the mouthwash category - inside the oral care market. The primary product goal is to improve the oral hygiene as a complement of brushing and flossing. The brand is present in over 60 countries with more than 1000 million people using it in their oral hygiene worldwide.

It has been the most recommended mouthwash among dentists for many years, and no other has a longer history of clinically proven results. As costumers get more and more access to information about health issues – and thus make more educated choices for themselves and their families – the specific oral health benefits offered by Listerine® have made it one of the most famous mouth care brands in the world.

Since 2008, the brand created awareness for this need among Portuguese customers and built the entire category almost from scratch.

### 1.1.1. Listerine® History – Before J&J Acquisition

In 1860, Dr Lister put into practice theories which held that the cause of numerous infections were related to the presence of invisible germs. In 1876, he made a conference related to its investigations that aroused the interest of Dr Joseph Lawrence (the brand creator) and Robert Johnson (J&J founder). These two had a goal: modernise

[1] Case study build to pedagogical purposes, some data may not correspond to the organizational reality.

the surgical practice. In 1879, Lawrence created in his laboratory a unique formula from Lister research, which he called Listerine®.

Five years later, Lawrence joined the pharmacist Jordan Lambert, and they started to manufacture and commercialise Listerine® that was utilised to disinfect the operating theatres and wounds. First, the product was marketed as a surgical antiseptic, eventually sold as a deodorant, anti-dandruff lotion and aftershave. It also served to clean the floor and cure gonorrhoea.

With time, it was found that Listerine® was excellent and efficient to kill oral bacteria. In 1895, it began to be sold to dentists. Already at the turn of the century, the brand has been marketed directly to the customer, but with prescription and in 1914, the product was so effective that it became the first over-the-counter mouthwash sold in the USA and was marketed as a mouthwash to eliminate mouth bacteria.

The product became a success in the 1920s when it was considered as a solution for “chronic halitosis” - a term created to describe bad breath that until then was not a serious problem. Listerine® created a market for mouthwash and sales increased.

In 1983, the brand changed its positioning to being sold to fight the formation of plaque and gingivitis, after independent scientific studies that proved that Listerine® penetrated deeper into the plaque and eliminated more germs than other mouthwashes. In 1992, the product won its second flavour (Cool Mint), which attracted a new range of customers. In the following years, besides new flavours, new products were introduced in the market with new product categories, such as toothpaste (in some countries) and lozenges that dissolve in contact with the tongue.

### 1.1.2. Listerine® Business Development – After J&J Acquisition

In 2007 J&J acquired Listerine® from Pfizer. The company wanted to re-launch the brand with a different strategy with one primary goal: consolidate Listerine® as the most credible brand in the market among customers, clients and dentists.

The mouthwash category is integrated in the oral care market and is split into four categories: toothpaste, toothbrushes, dental floss and mouthwashes. In Portugal, most of the oral hygiene market profits came from the mass market. However, in 2007 the reality was quite different for mouthwash, where the pharmacy channel had the largest share.

J&J knew that the penetration of the category in Portugal, comparing with Southern European countries was very low. Also, comparing the per capita consumption in the mass market channel in that region, the potential of this channel in Portugal was enormous. Listerine® had the experience in those countries where the brand was the motor of the market development with a huge market share in the mass market.

They needed to show to its clients that this was a tremendous opportunity once everyone could win since the product would not cannibalise other products and would even increase the consumer purchase basket. Along with its clients, J&J needed to attract new customers to the category and educate them. They made a huge bet on the mass market channel to blow up a market - that until then was practically invisible - by challenging customers and dentists to rethink the role of mouthwash.

The launch in 2008 was considered by modern distribution one of the best ever made. It happened throughout a multimedia 360º campaign. A massive awareness was created. The key to success became educating the customer on this need, which was ultimately to recruit them to the category and of course to use Listerine®.

After the launch, the brand became the highlighted leader in the first week, reaching 51% of market share and 92% of the weighted distribution in the second week. The market share was kept over 40% in the mass market channel, and in the pharmacy channel, it tripled the share from 3% to 9%. In the first year after the launch, the brand reached 100% of awareness among health care professionals and 72% of recommendation.

Over the years, in Portugal, Listerine® had received several distinctions like in 2009, when it was considered the product of the year by customers. The brand transformed and created a new mouthwash category from scratch. From 2007 until 2015 Listerine® passed from a 300 thousand to a 4,5 million euros brand and the market quadrupled from 4 million to 15 million euros. Alongside the communication, the professional activation across dentists and the distribution also had a crucial role creating brand awareness and excellent visibility moments.

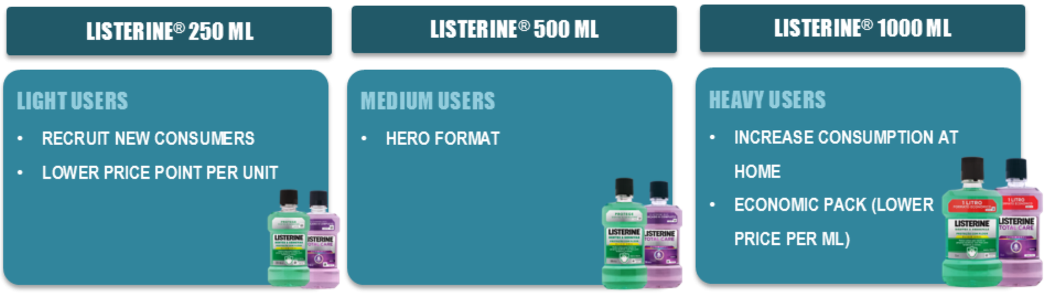
### 1.1.3. Listerine® Marketing Mix

**Product**

The brand has three formats that have different roles as shown in **Figure 1**. Listerine® has a broad portfolio of products that fulfil different needs (**Appendix 1**). The top three references in sales are: Listerine® Teeth & Gums (represents 43% of sales, has a strong support on television and is the most recommended by dentists and hygienists; Listerine® Total Care (the most advanced in the portfolio with the "6 benefits in 1") and Listerine® Advanced White (satisfies a particular need which is tooth whitening and has also strong television support). The portfolio also includes the Listerine® Reach Toothbrushes.

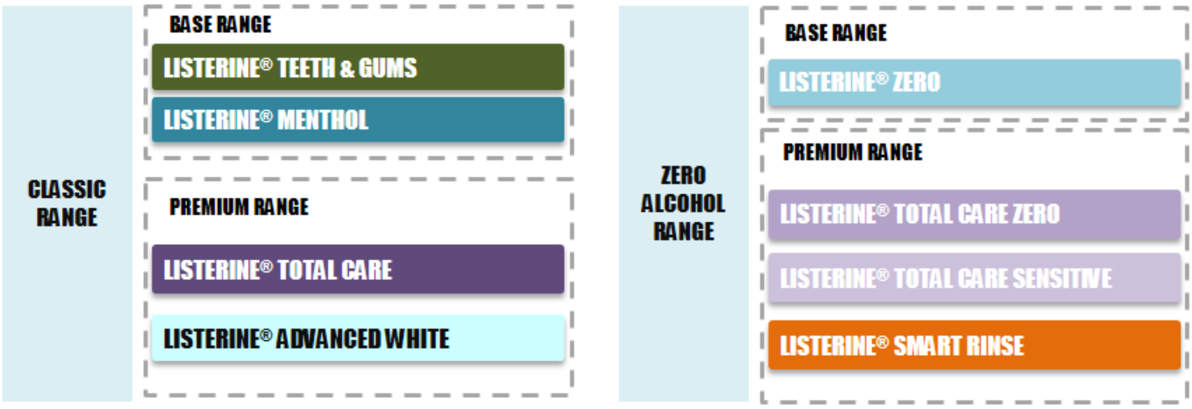
These different products have different benefits, and they can be divided into two distinct ranges – Classic Range and Zero Alcohol Range - as illustrated in **Figure 2**.

**Figure 1 –** Listerine® Formats




Source: J&J, 2015

**Figure 2 –** Listerine® Ranges




Source: J&J, 2015

As core benefit, the product eliminates 99.9% of bacteria, the primary cause of bacterial plaque formation, cavities and bad breath. Its efficacy is proven over 130 clinical studies already published. These tests demonstrate that the product prevents plaque and reduces it up to 56% and 21% for gingivitis when compared to using only brush and floss. The secret of this unique formula in the market is a fixed combination of four essential oils, and its effectiveness has been proven in more than 130 studies by dentists.

The brand wants to provide a unique and intense sensorial experience. For those who start to use the product for the first time, it is even difficult to handle the recommended 30 seconds of mouthwash. The intense taste of Listerine® comes from the combination of essential oils and alcohol in its formula (which helps to dissolve the oils making the formula more effective). However, the strong flavour of Listerine® is not appreciated by everyone: either people love it or hate it. For this reason, the brand began to launch alcohol-free products- with the name Zero - with much softer flavours.

**Price**

Listerine® always practised a skimming price strategy by selling a premium mouthwash at a higher price since its launch to gain a significant profit. This approach is appropriate since the product is unique, has a premium image and because it was the mother brand of this category since the beginning.

The brand is the most expensive in the mouthwash category. However, the mass market channel is known for having an intense promotional environment. Besides that, Listerine® has never made any promotional activity and has been capable of maintaining this positioning and strategy throughout the years. Nevertheless, since the customer is becoming more price sensitive and all the competitors are increasing their promotional activities, focused on price promotion, this might bring some challenges for Listerine®.

**Placement**

The brand has two different channels as shown in **Table 1.** In this case study, the focus will be on the mass market channel. Nevertheless, in **Appendix 2** there is an overview of Listerine® position in the pharmacy channel (note that Hextril is a J&J brand).

**Table 1** – Listerine® Distribution Channels (2015)

| | **Pharmacy Channel** | **Mass Market Channel** |
|---|---|---|
| **% of Sales** | 5% | 95% |
| **References (Appendix 1)** | Fresh Mint; Teeth & Gum; Total Care; Advanced White | Entire portfolio included except Listerine® Fresh Mint |
| **Type of Channel** | The sales field team sells to the pharmacies that then sell to the final customers | Key accounts negotiate and sell to the different clients (Continente; Pingo Doce; Intermarché; Lidl, Minipreço; Auchan) that will then sell to the final customer |

Source: J&J, 2015

**Promotion**

Listerine® is known for its strong communication plans by using several promotion initiatives. Here, Listerine® works along three different targets as shown in **Table 2.**

**Table 2 –** Listerine® Promotion Targets

| | **Clients** | **Final Customers** | **Professionals** |
|---|---|---|---|
| **Description** | Here are included the intermediaries between J&J and the final customer: retailers (mass market channel) and pharmacies (pharmacy channel) | Here are included all the actions that have as target the final customer or the buyer | The professional activation area is focused on dentists, dental universities and the most important congresses (**Table 3**) |
| **Primary Goal** | Develop win-win initiatives to increase space and increase product visibility | Educate customer on mouthwash use and arouse purchase interest | Promote awareness, recommendation and train the future professionals |
| **Promotion Initiatives** | • TV Advertising<br>• Point of sales materials (**Appendix 3**)<br>• Contests & promoters<br>• Digital (website, Youtube and SEO)<br>• Sponsorships | | • Key Opinion Leaders (KOL's)<br>• Universities<br>• Congresses<br>(**Appendix 4**) |

Source: J&J, 2015

Listerine® is known for its high impact advertising and branding. Regarding its strong TV advertising, Listerine® always tried to transmit some important messages:

- Clear vision of the problem through strong analogies that are easy to understand;
- Explain the powerful way of acting (demo) and the benefits for mouth health;
- Dramatisation of the unique experience of Listerine® (sensorial impact);
- Listerine® as a part of daily routine.

The brand tries to pass these messages while using a particular tone of voice:

- Direct to the messages always with a sense of humour;
- Knowledgeable brand, a specialist who teaches and educate;
- Defiant, provocative and optimistic attitude.

The professional activation is crucial. The strategy has been changing over the years. From 2008 until 2012, Listerine® focus was on the direct visit to professionals throughout its delegates. They coveraged around 20% of the total number of dentists in Portugal (with a frequency of three times per year). The primary purpose of this medical visit was to demystify the myth of alcohol, reinforce the importance of the three steps of a complete oral hygiene and to explain the brand's advantage over the essential oils: their efficacy and its action mechanism. Further, in 2013, J&J adapted its strategy that focused on three axes **Table 3**.

**Table 3** – Listerine® Professional Activation Strategy

| **Key Opinion Leaders** | **Universities** | **Congresses** |
|---|---|---|
| Listerine® visits – three times per year - the KOL’s which are the most important twenty-five influencers’ dentists and hygienists in Portugal. | Recently, J&J is present in all dental universities where, once a year, gives a symposium to educate the students - the future dentists and hygienists - about its products advantages and efficacy. There is also the use of Listerine® at university clinics by students in practical classes. | Listerine® is also present in several congresses related to the dental medicine area. |

Source: J&J, 2014

## 1.2. Oral Hygiene

Oral hygiene is fundamental in consumer life, and each one faces the oral hygiene procedures in different ways. Is possible to identify four different motivations: 1 - “Healthy”: oral health problems when the customer is attentive and concerned. 2 – “It is an obligation”: users feel a moral obligation and are lazier. 3 – “Social image”: specific of lower social classes that think about the social image. 4 – “Esthetic”: people with aesthetics concerns. Most of the time oral hygiene is seen as an activity that needs to be done. One condition to maintain teeth’s and mouth healthy.

Further, customers classify the oral hygiene processes and products from basic oral hygiene until complete oral hygiene. The first includes toothpaste and toothbrush. However, for a complete solution, mouthwash and a dental floss are required. The oral hygiene is done, on average, two to three times a day in three different moments: 1 – Morning: biggest concern with breath; 2 – After Lunch: fewer people to perform this step and chewing gums could be a substitute; 3 – At Night: more careful care before going to sleep. Also, the importance of oral hygiene is high and plays a different role across customer life stages (**Appendix 5**).

## 1.3. Oral Care Market

The oral care market is divided into toothpaste, toothbrushes, dental floss and mouthwashes. According to Kantar WorldPanel, its performance can be characterised by the paradigm of fewer customers and less regular customers. During the last periods, 2013 and 2014, a decreasing tendency has been accentuated in some indicators such as volume, penetration and purchase frequency.

Continente is the retailer with the highest volume followed by Pingo Doce (PD) which is getting closer (**Appendix 6**). Also, according to with further information from Kantar WorldPanel, Continente and PD are the two retailers that recruit more customers and reach more homes.

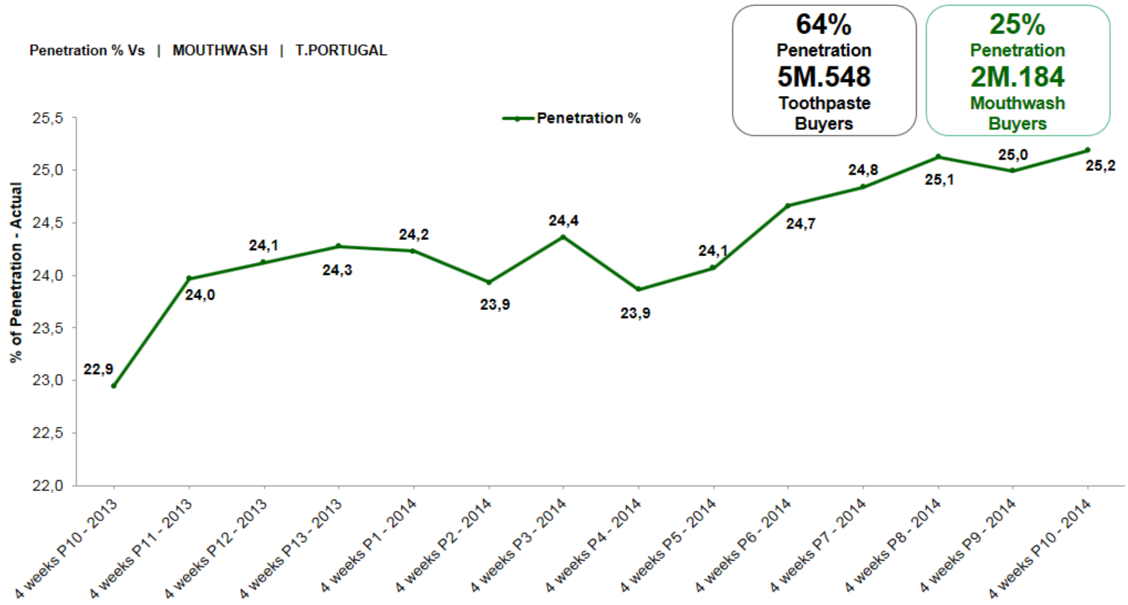
Listerine® has internal scientific researches to reveal the oral care issues and needs. According to these internal studies, cavities are the number one oral care disease worldwide (**Appendix 7**)**.** Regarding the same researches, key customer trends show opportunities for anti-cavity, alcohol-free, less intensive taste and natural ingredients.

## 1.4. Mouthwash Category

This category faces steep competition, and one of the big problems is low frequency. According to Kantar WorldPanel, mouthwashes have been gaining more space in Portuguese customer's life over the last years. On one hand, there was a tendency of winning buyers that is one of the indicators that have been helping to the category development. On the other, the purchase frequency has been decreasing. Overall, the gain in customers is not enough to compensate the loss in frequency - the biggest problem of this category.

From 2008 until 2014 the market quadrupled from four million to sixteen million euros mainly due to Listerine® efforts. Looking to **Graphic 1**, 25% of mouthwash penetration represents approximately two million buyers while regarding toothpaste the penetration rounds 64% with around five million buyers. This gap represents an opportunity. According to Kantar, in 2014 there was a tendency of gain in some customers (however lower while comparing to last years) but already with a decreasing in purchase frequency. In 2015, besides the decreasing in frequency, also the decreasing in some buyers and the penetration is concerning all the competitors.

**Graphic 1** – Mouthwash Category Penetration Rate (Oct 2013 – Oct 2014)[2]




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

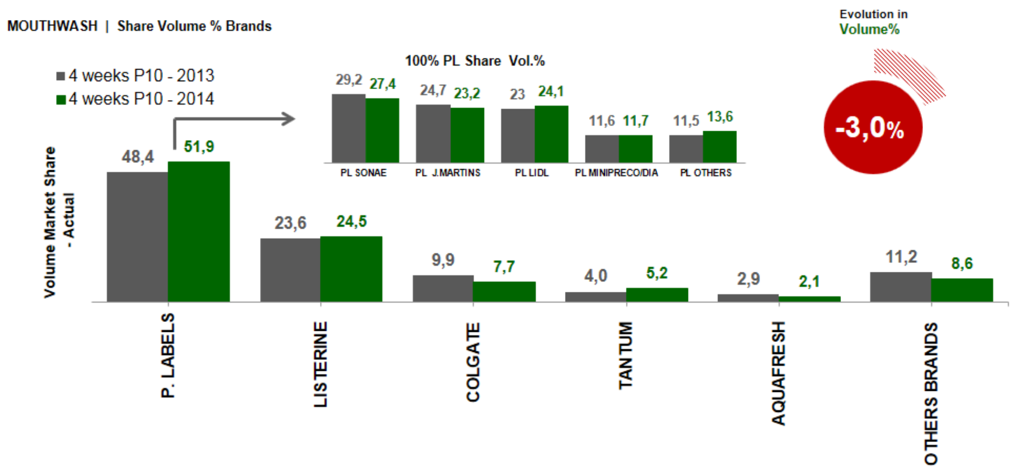
[2] Example: "4 weeks P1 – 2014": it means, the first four weeks of 2014.

### 1.4.1. Mouthwash Category Competition

Comparing 2014 with the previous period, there is a decreasing of 3% in volume (**Graphic 2**). The biggest producers' brands are Listerine®, Colgate, Tantum and Aquafresh and private labels represent a huge market slice. Looking to manufacturer's brands, Listerine® is the leader with 24,5% of share against 7,7% from Colgate.

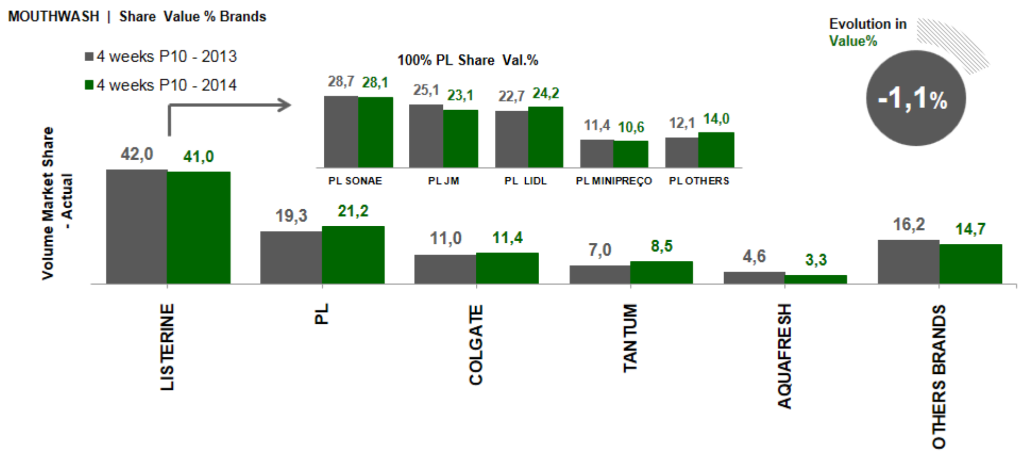
Further, is also the brand that increases weight in volume and stands out with almost one-quarter of the total category volume. In value, the category is decreasing 1,1% where Listerine® is the leader with 41% against 21,2% of private labels and 11,4% of Colgate (**Graphic 3**).

**Graphic 2** – Competitors Market Share (Volume)




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Graphic 3 –** Competitors Market Share (Value)

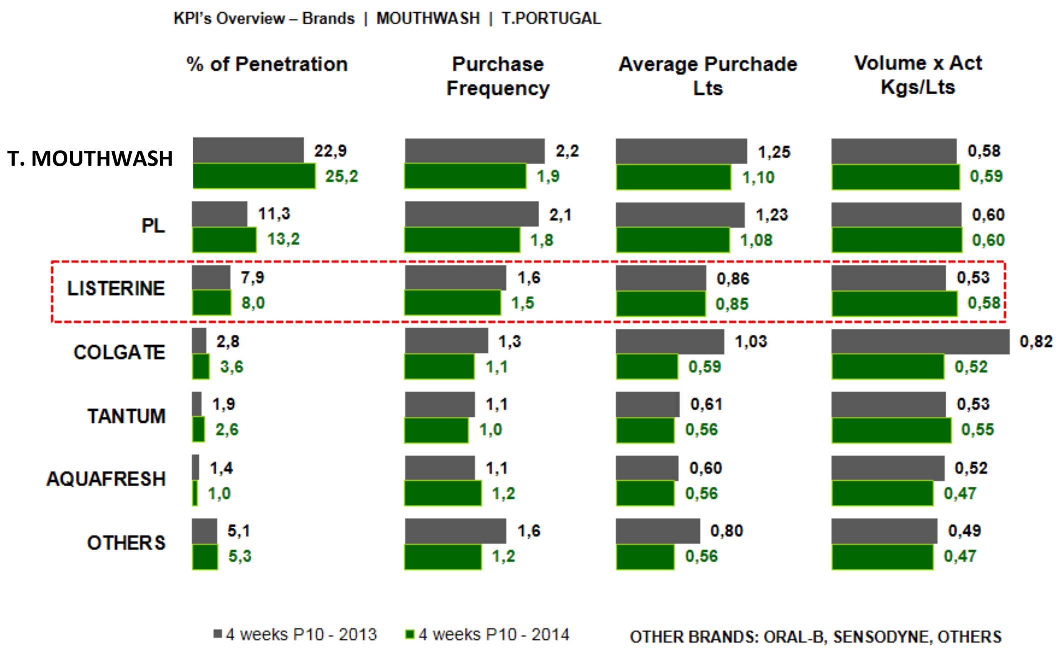



Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

This is a market where loyalty is a vital measure. According to further information from Kantar WorldPanel, Listerine®, as private labels, is the brand that stands out more in loyalty and customer base compared with other competitors.

The performance of each brand in this category is mainly driven by some key performance indicators. As illustrated in **Graphic 4**, after private labels, Listerine® is the brand that presents the best indicators overall. Comparing with the previous year, besides the increase regarding penetration, the entire category is decreasing in purchase frequency and average purchase indicators.

**Graphic 4** – KPI's Overview by Competitor




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

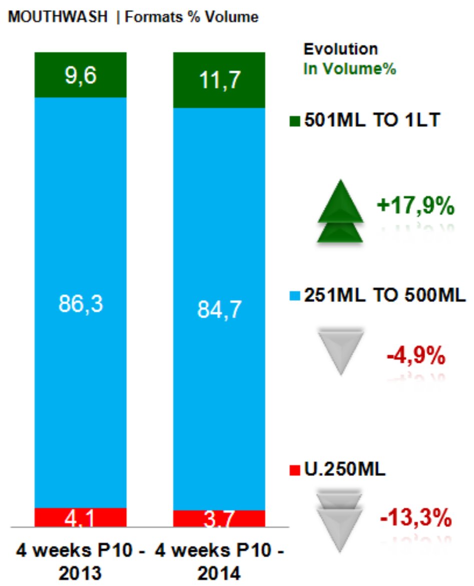
It is known that around 40% of mouthwashes sales are through promotions. Colgate and Oral B are the competitors with higher levels of sales in promotion with Aquafresh also increasing significantly. Finally, regarding customer reach point (CRP) – which means customers multiplied by frequency - private labels represent the larger slice followed by Listerine®. Comparing with the previous period is evident that Listerine® is not developing contacts with customers with - 9,1% regarding evolution while some competitors such as Colgate and Tantum reached 17,7% and 21% (**Appendix 8**).

### 1.4.2. Mouthwash Category Formats

While talking about the key performance indicators of this category such as, for instance, purchase frequency or penetration, look at the different product formats is fundamental. Among the three different formats: 250ML, 251-500ML and 501ML- 1L, **Graphic 5** compares the various formats regarding volume evolution and highlights that just the biggest size develop frequency when compared with a previous period with +17,9%.

Also, according to with further information from Kantar WorldPanel, 251-500ML is the format that promotes more penetration while 501ML-1L format is the one that develops more frequency (with Listerine® as the great driver of this winning format).

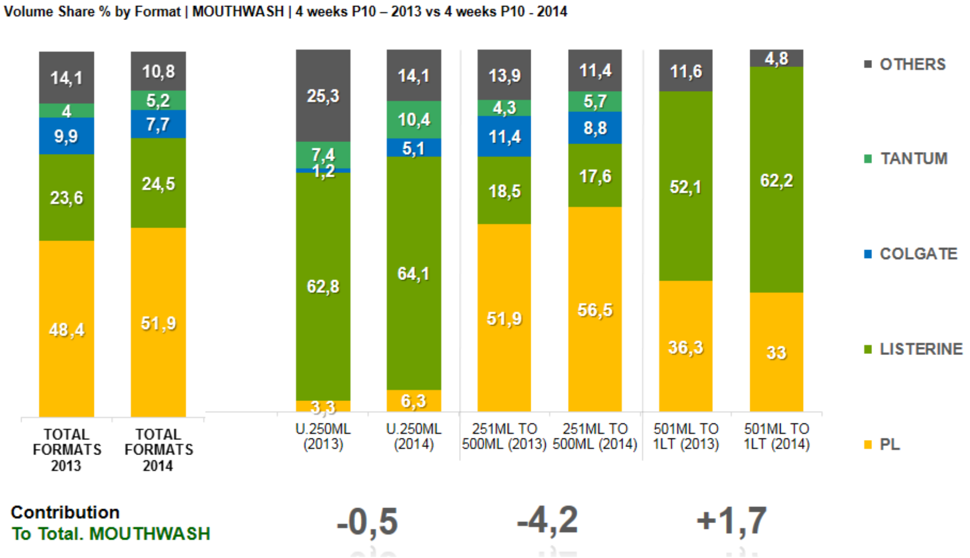
**Graphic 5 –** Mouthwash Format Size Evolution (Volume %)




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Graphic 6** illustrates the volume share of each player in each format. The loser format is 251-500ML with - 4,2 regarding contribution to the total. It is due to the biggest format that the entire category avoids greater losses with a positive contribution of +1,7. The loser format is dominated by far for the private labels. On the other two formats, Listerine® is the leader. Also, is clear that Listerine® is mostly affected by the middle format and, in the lower format (until 250ML), the brand is below the total mouthwash category values.

**Graphic 6 –** Volume Share by Format Size

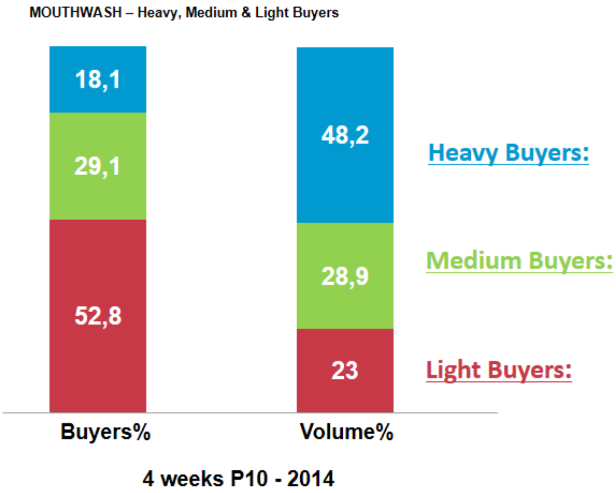



Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

### 1.4.3. Mouthwash Customers

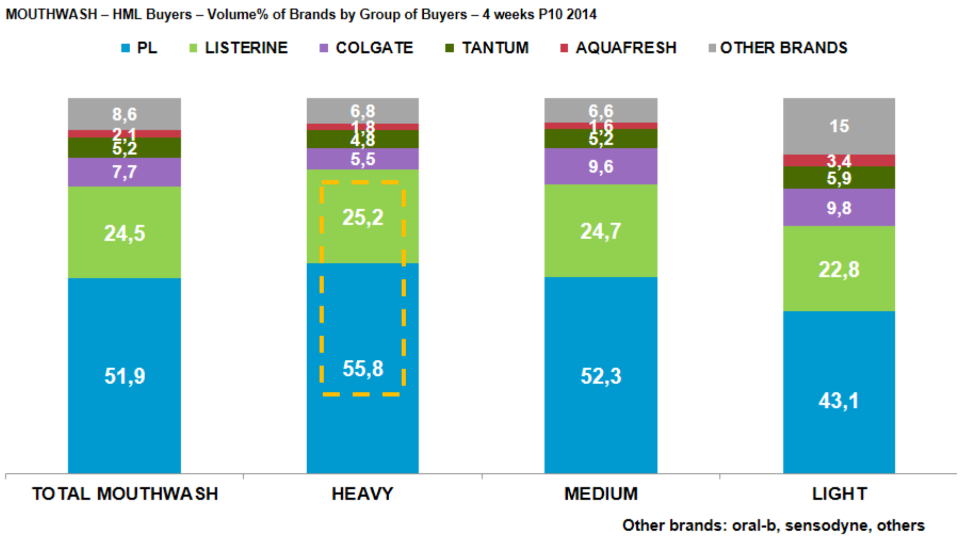
According to Kantar, mouthwash customers can be divided into three groups. light buyers: individuals that buy until 0,72L, medium buyers: a group of people that buy between 0,72 - 1,62L. Finally, the heavy buyers: buy more than 1,62L. 18% of the heavy buyers represent almost 50% of the category volume (**Graphic 7**). The heavy buyers dedicate more volume to Listerine® and private labels (**Graphic 8**).

**Graphic 7 –** Mouthwash Customers Profile




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Graphic 8 –** Volume % of Brands by Group of Customers




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

Half of Listerine® customers are light buyers: mainly individuals until 34 years old and medium and medium-low classes. Regarding volume and penetration, there is a negative trend in high/middle, upper classes as also in people until 34 years old and 65 years or more.

Further, Listerine® is more affected in extreme profiles such as high class and low class, in young and old people (**Appendix 9**)**.** Finally, Listerine® is over developed in less relevant profiles (**Appendix 10**)**.**

### 1.4.4. Mouthwash Customer Buying Process

Regarding the mouthwash buying decision process, it is fundamental to understand what is the hierarchy for costumers. Regarding the first choice when costumers buy mouthwash, 80% of mouthwash buyers split their choices between three main factors. As shown in **Appendix 11**, in the first place, they look for the brand (47%). Secondly, they look for the flavour (19%).

Finally, the customer looks for the product benefits (14%). For the majority of costumers, the loyalty to the brand is huge (**Appendix 12**). In the case of out of stock, normally they buy another flavour or delay the purchase.

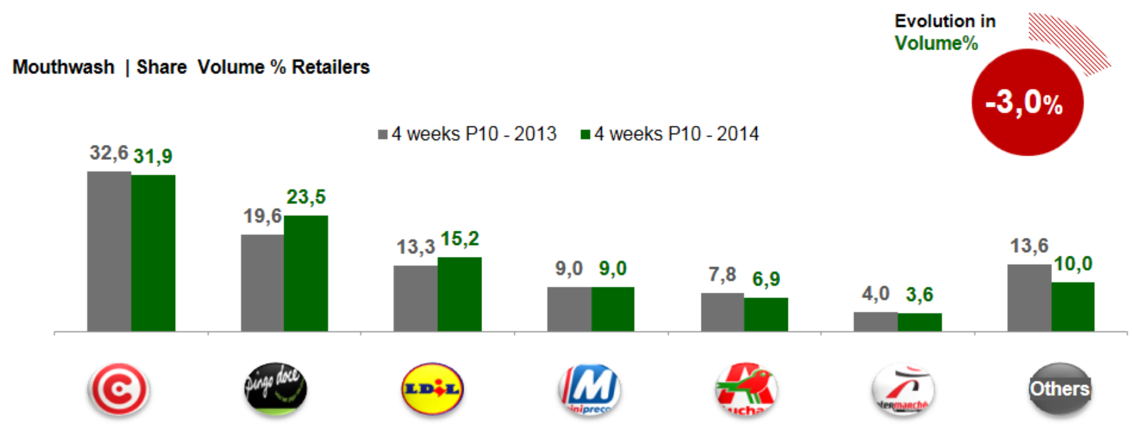
Regarding the buying process of heavy mouthwash customer are possible to identify some important patterns:

- Customers incorporate mouthwash as a monthly purchase;
- They spend, on average, ten seconds looking at what they want to buy;
- They buy huge formats;
- It is a purchase to replace stock (until the stock is finish);
- The purchase could change at the point of sale by other product of the same type (due to the innovations).

### 1.4.5. Mouthwash Mass Market Channel

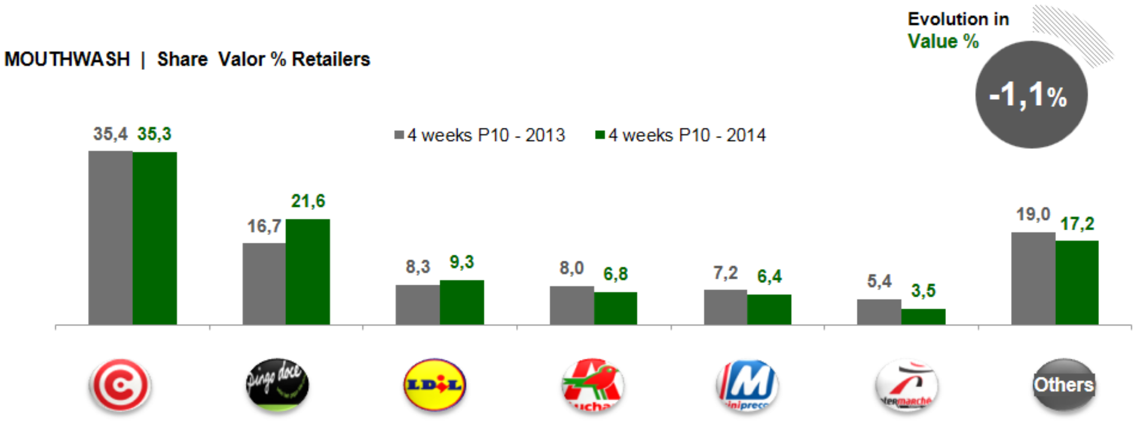
The category is present in almost all the retailers. As illustrated in **Graphic 9**, Continente represents the highest share regarding volume with 31,9%. PD (the second with 23,5%) and Lidl (the third one with 15,2%) are the two retailers that present continuous growth in this three years. Just two retailers represent a positive contribution for mouthwash category, which is PD and Lidl. Regarding values, the differential between the two biggest retailers is 13,8% (**Graphic 10**).

**Graphic 9 –** Retailers Share in Mouthwash (Volume)




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

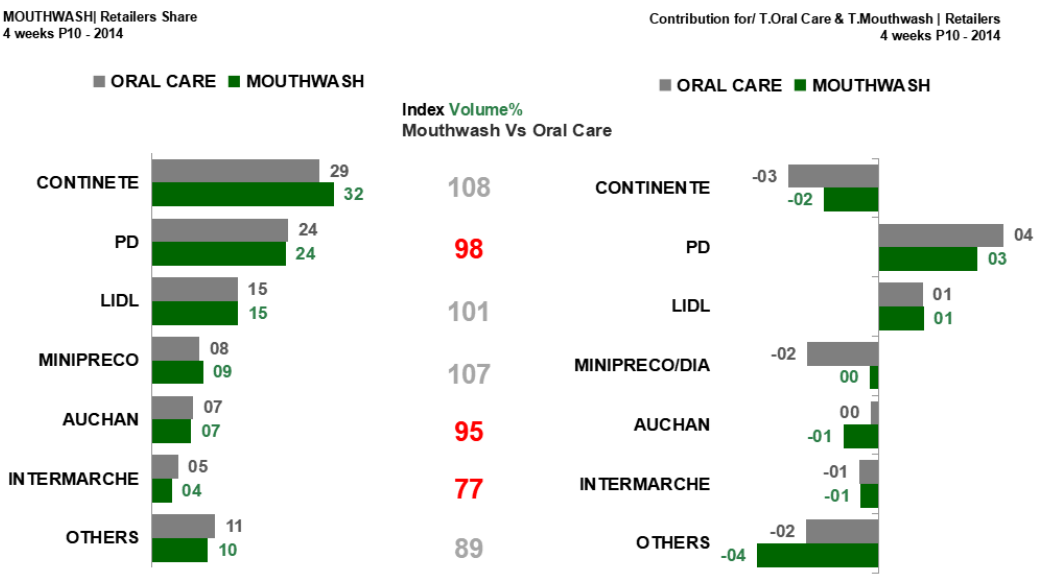
**Graphic 10** – Retailers Share in Mouthwash (Value)




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

The analysis in **Graphic 11** shows the potential to grow in each retailer regarding the contribution that each one of them has regarding total oral care and terms of total mouthwash. Is evident that PD, Auchan and Intermarché represent growth opportunities for the mouthwash category.

**Graphic 11** – Contribution for Oral Care vs. Mouthwash by Retailer




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

According to further information from Kantar WorldPanel, is possible to identify some conclusions regarding each retailer as shown in **Table 4**.

**Table 4** – Retailers Key Insights

| Retailer | Insights |
|---|---|
| CONTINENTE | • One of the retailers that recruit more customers to the category;<br>• Highlights in loyalty and number of customer;<br>• Continente is affected by reaching a less intensive customer (as also Intermarché);<br>• Continente is the one that generates more CRP;<br>• Retains 6 in 10 mouthwash customers:<br>• Maintains 6 in 10 potential mouthwash customers. |
| pingo doce | • One of the retailers that recruit more customers to the category;<br>• Presents the biggest growth potential for Listerine®;<br>• Is the most dynamic retailer among the major customers;<br>• PD has the lowest clientele of medium buyers and represents an opportunity for the light buyers;<br>• Retains 5 in 10 mouthwash customers. |
| LIDL | • The only retailer that develops purchase intensity;<br>• The most intensive customers have a preference for Lidl. |

Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

In 2015 this category was going through difficult times, and Listerine® was decreasing its performance. The challenges both for the category and the brand are huge. New ways and strategies to communicate are needed to attract new customers and retain the existing ones, this by creating new strategies to increase market penetration and frequency of use.

Now, in the role of Listerine® Marketing Manager, you should work on the solutions for these problems by answering the following case study questions.

## 1.5. Case Study Questions

### Part A – Situation Analysis

**A1** - Classify Listerine® role in mouthwash category since its launch in the mass market. Identify the main points of its strategy and the key success factors for mouthwash products and Listerine® competitive advantage (s).

**A2** - Frequency is vital to increase performance. In your opinion, what are the main challenges when trying to move from trial to everyday use of the brand?

**A3** – Identify the bottlenecks of Listerine® regarding the three following perspectives: customer, type of product and distribution.

**A4 -** Given the information presented regarding the mouthwash category and Listerine®, develop a SWOT Analysis and identify the key findings.

### Part B – Solution Plan

**B1 –** What should be the focus of Listerine® to increase penetration and frequency and retain loyalty regarding the type of population?

**B2** – Would you make any change (s) in the Promotion variable of the marketing mix that could be vital to recovering Listerine® good performance? You should consider both penetration and frequency problems.

**B3 –** *"We should leave the Pharmacy channel since it has a very low weight in our sales and only generates complexity when we can apply these efforts in other initiatives. Moreover, leaving this channel is evident that we should kill Listerine® Menthol from our portfolio".* Please comment the previous statement made by Johnson & Johnson Sales Director.

**B4 –** How can Listerine® bring any additional innovation with a new product to address any other need? Briefly, describe the general idea of that innovation.

## 1.6. Appendices

**Appendix 1** - Listerine® Portfolio

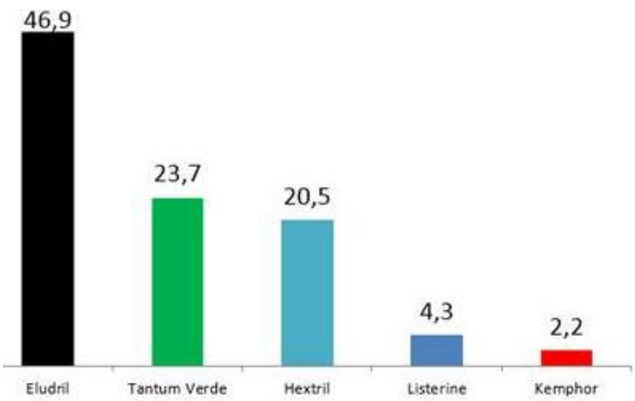
| Product Name | Formats | Characteristics |
|---|---|---|
|  | • 250 Ml<br>• 500 Ml<br>• 1 L | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with Antibacterial activity.<br>• Reduces bacterial plaque formation.<br>• Reduces interproximal plaque.<br>• Combats halitosis.<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Taste with strong intensity.<br>• + 12 years.<br>• 100 ppm fluorine. |
|  | • 250 Ml<br>• 500 Ml<br>• 1 L | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with Antibacterial activity.<br>• Reduces bacterial plaque formation.<br>• Reduces interproximal plaque.<br>• Combats halitosis.<br>• Formulated with Zinc Chloride to reduce the formation of tartar.<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Taste with medium intensity.<br>• + 12 years.<br>• 100 ppm fluorine. |
|  | • 250 Ml<br>• 500 Ml | • Contains three essential oils (Thymol, Eucalyptol and Menthol) which reduce plaque bacteria and fight bacteria that cause bad breath.<br>• Polyphosphate Technology:<br>○ Removes stains associated with enamel.<br>○ Forms a protective film that helps prevent the formation of new spots.<br>• With fluoride that favours the remineralization of the enamel and that strengthens the teeth.<br>• Flavour with soft intensity.<br>• + 12 years.<br>• 220 ppm fluorine. |

| Product Name | Formats | Characteristics |
|---|---|---|
|  | Menthol<br>• 250 Ml<br>• 500 Ml<br>• 1 L<br><br>Fresh Mint<br>• 500 Ml | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with antibacterial activity.<br>• Reduces bacterial plaque formation.<br>• Reduces interproximal plaque.<br>• Combats halitosis.<br>• Taste with strong intensity.<br>• +12 years. |
|  | • 500 Ml | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with antibacterial activity.<br>• Keeps gums healthy to help prevent their recession by better protecting sensitive areas below the gum line.<br>• Protects against tooth sensitivity:<br>○ Contains Potassium Nitrate.<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Flavour with extra soft intensity.<br>• No alcohol.<br>• + 6 years.<br>• 220 ppm fluorine. |
|  | • 500 Ml | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with antibacterial activity.<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Formulated with zinc chloride to reduce the formation of tartar.<br>• Combats halitosis.<br>• Flavour with extra soft intensity.<br>• No alcohol.<br>• + 6 years.<br>• 220 ppm fluorine. |

| Product Name | Formats | Characteristics |
|---|---|---|
|  | • 500 Ml | • Contains four essential oils (Thymol, Eucalyptol, Methyl Salicylate and Menthol) with antibacterial activity.<br>• Proven efficacy in plaque reduction.<br>• No other alcohol-free daily elixir eliminates as many plaque-causing bacteria as LISTERINE® Zero ™.<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Flavour with extra soft intensity.<br>• No alcohol.<br>• + 6 years.<br>• 220 ppm fluorine. |
|  | • 500 Ml | • Contains cetylpyridinium chloride that eliminates 99% of bacteria (laboratory studies).<br>• Contains fluoride that favours the remineralization of the enamel.<br>• Fun to use, motivating good oral hygiene.<br>• Attracts and dyes residue that brushing does not eliminate, leaving a visual test in the washbasin.<br>• With dispenser for easy use.<br>• Red fruit flavour with extra soft intensity.<br>• No alcohol.<br>• + 6 years.100 ppm fluorine. |

Source: J&J, 2015

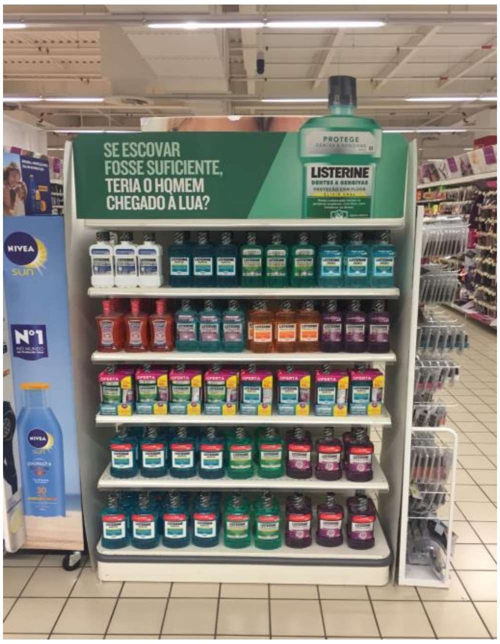
**Appendix 2 –** Listerine® Market Share in Pharmacy Channel (%), Oct 2014




Source: J&J, 2014

**Appendix 3 –** Listerine® Point of Sales Display




Source: J&J, 2014

## **Appendix 4 –** Listerine® Professional Channel Materials


Samples Box + Leaflet


Prescription Block


Conferences & Congresses Stand

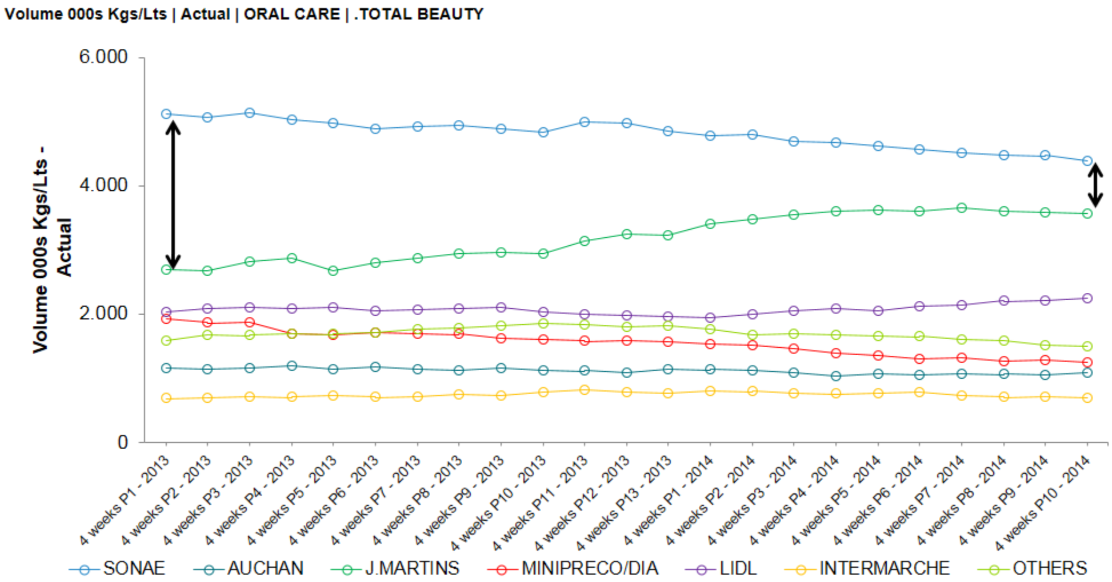
Source: J&J, 2014

## **Appendix 5 -** Oral Hygiene Importance Across Life Stages

| **Baby** | **First Dentition** | **Second Dentition** | **Youth** | **Adult Age and Old Age** |
|---|---|---|---|---|
| Parents begin to clean with a gauze | Parents help in brushing process | Children begin the brushing process by themselves | Parents just supervise to guarantee that hygiene is not compromised | The cleaning has a huge connection with social coexistence and made consciously by the person |
| Focus on Hygiene | Focus on hygiene and learning | Focus on prevention and training | Focus on functionality and aesthetic | Focus on esthetic, health and sociability |

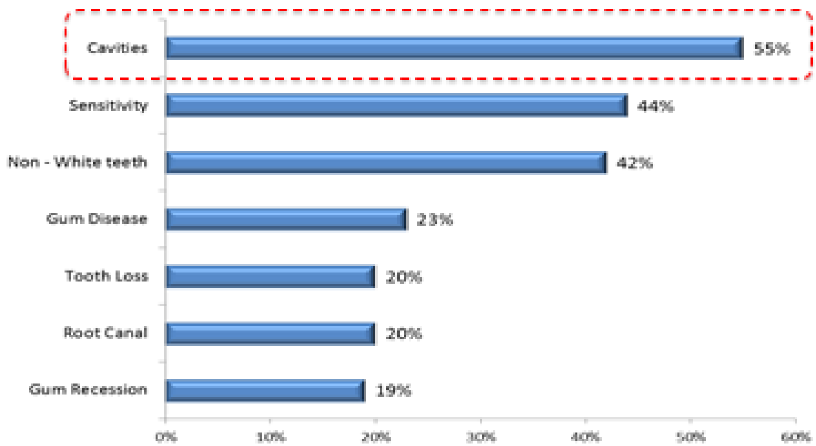
Source: J&J Study, 2014

**Appendix 6 -** Oral Care Market Volume by Clients (January 13 – October 14)



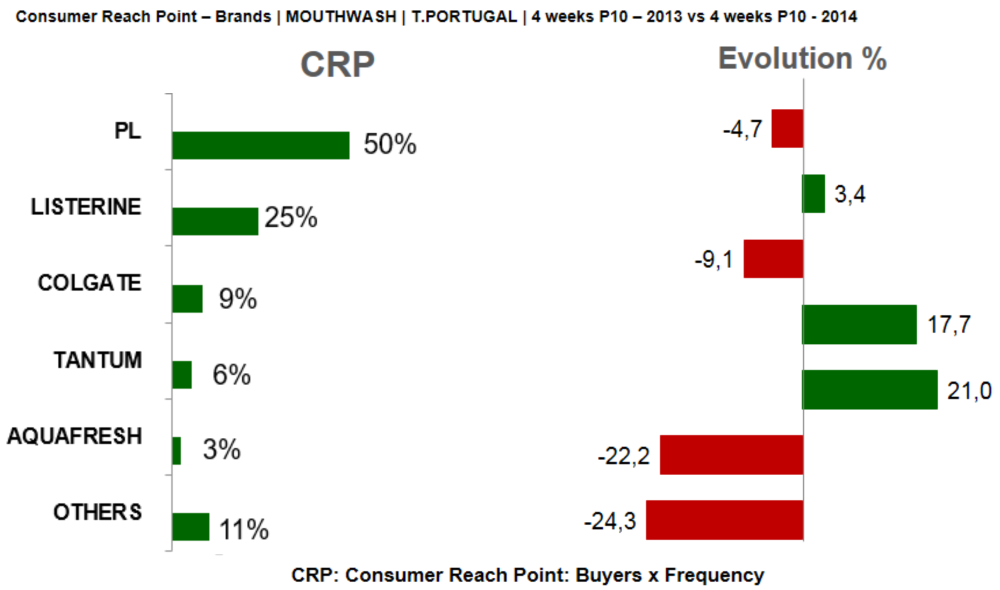

Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Appendix 7 –** Oral Care Issues & Needs Worldwide



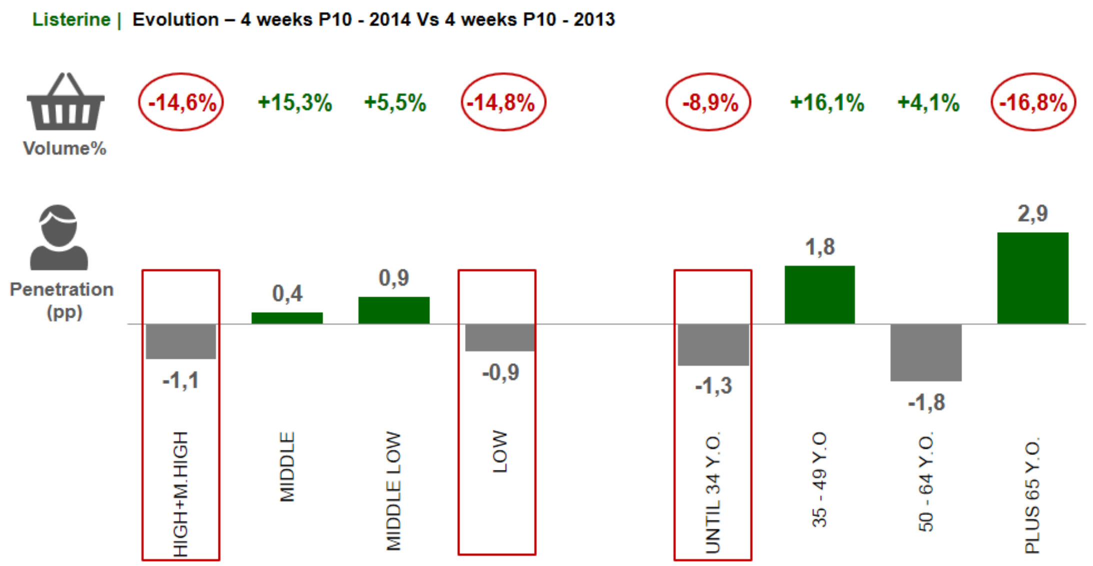

Source: Listerine® Global IMC Customer Segmentation, 2015

**Appendix 8** – Customer Reach Point (CRP) by Competitors



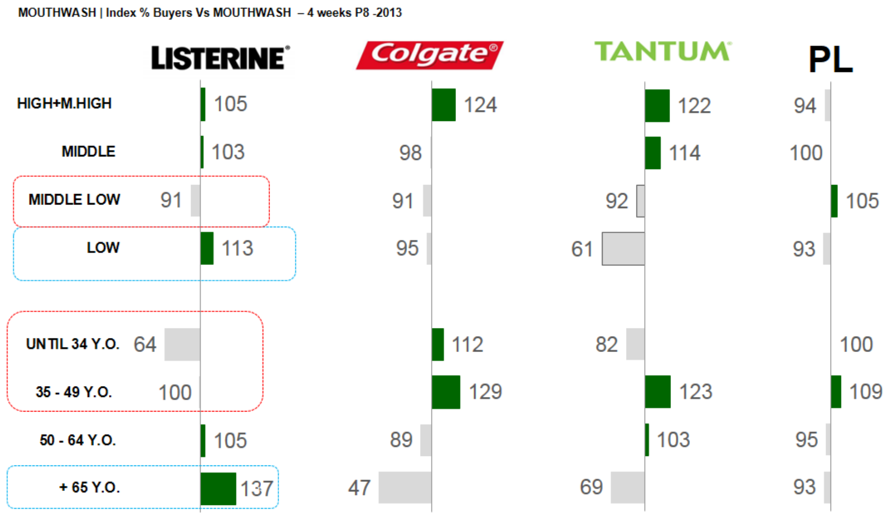

Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Appendix 9** – Listerine® Penetration by Target




Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Appendix 10** – Customers Profiles Performance Among Competitors

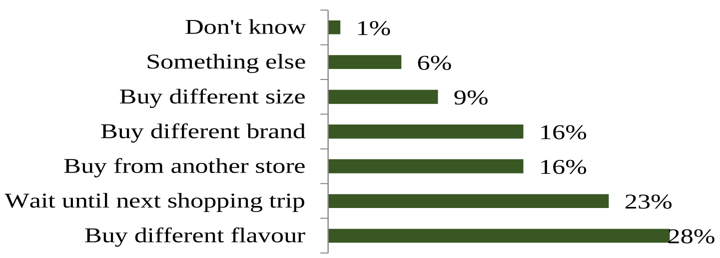



Source: Kantar WorldPanel 2014 (Oral Care & Mouthwash Market)

**Appendix 11** – What Customers Look First While Buying Mouthwashes


Source: Oral Health Care Study, Johnson & Johnson, 2014

**Appendix 12** – What Happen When the Preferred Mouthwash is not Available




Source: Oral Health Care Study, Johnson & Johnson, 2014

# 2. Teaching Notes

## 2.1. Case Study Target Audience

This case study is designed for two primary target audiences:

- In the academic perspective, it is intended for both undergraduate or master's students enrolled in marketing, management or related courses. The case should be presented during classes as a group assignment.
- In the business perspective, this case can be useful for professionals who perform functions related to management or marketing to manage their brands better and make the business grow.

## 2.2. Pedagogical Objectives

The primary goal of this master thesis is to access how a mouthwash brand, such as Listerine®, can leverage its performance and increase market penetration and frequency of use most precisely to recover the success of the past. Following this logic, this case study was developed with the following educational objectives:

- Understand the concepts utilised in the case study and the specific market characteristics;
- Make a deep analysis of the market and the company under study;
- Study and understand the importance of educating, attracting and retaining consumers and define specific marketing strategies to increase market performance (mainly penetration and frequency of use);
- Know how to use a set of strategic analytical frameworks to fully develop the marketing analysis, as external and internal analysis, throughout the SWOT analysis;
- Develop qualitative capabilities of the students such as problem diagnose and problem-solving abilities as well as creativity.

## 2.3. Literature Review

To enrich the case study and to be able to take full advantage of it, a literature review was developed to build up the case. The literature review will start with an information analysis tool, a SWOT Analysis and a Marketing Mix literature that will both help for the case study resolution.

Furthermore, in this literature review subjects such as Customer Education, Customer Acquisition, Customer Behaviour, Customer Decision Making, Customer Retention and Customer Loyalty will be addressed since these are the most relevant to the resolution of the case considering the case main goals.

### 2.3.1. SWOT Analysis

The SWOT Analysis is an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival **(Figure 3)**. As stated by Kotler and Keller (2012), SWOT Analysis is the tool that allows organisations and marketers to monitor the internal and external marketing environment. According to these authors, when talking about SWOT analysis, two dimensions should be taking into account: external environment and internal environment.

**Figure 3** – SWOT Analysis Matrix

### External Environment (Opportunities and Threats) Analysis

The first dimension, external environment, is related to opportunities and threats analysis and, helps to understand how they appear from external factors. Organisations and business units should be aware of controlling fundamental macroenvironment forces and significant microenvironment factors that could affect its ability to earn profits and be successful.

As mentioned by Kotler and Keller (2012:48), *"Good marketing is the art of finding, developing, and profiting from these opportunities"* and a marketing opportunity is an area of buyer need and interest that an organisation has a possibility of profitably satisfying. On the other hand, an environmental threat represents a challenge created by an unfavourable trend or development that, in the in the default of defensive marketing actions, could lead to lower sales or profit.

### Internal Environment (Strengths and Weaknesses) Analysis

One thing is to find attractive opportunities, and another thing is to be able to take advantage of those opportunities. This is where internal environment analysis plays its role and where each organisation and business unit needs to evaluate its internal strengths and weaknesses. SWOT Analysis views strengths as internal factors that are favourable for achieving organisations objectives. In a different perspective, weaknesses are the internal factors that are unfavourable for achieving the organisation´s goals.

As stated by Kotler and Keller (2012), the organisation does not have to correct all its weaknesses nor should it gloat about its strengths. What is important is whether it should limit the organisation to those opportunities for which it possesses the required strengths or even consider those that might need to find or create new strengths.

Further, it is important to keep in mind that some factors can be either strengths or weaknesses depending on the business goal. Finally, SWOT Analysis can be used to guide strategy at the very highest level, but it can also be tied to a specific business goal.

### 2.3.2. Marketing Mix

The aim of this chapter is to give an understanding of what Marketing Mix elements are and to clarify the characteristics and role of each one of those elements.

After an organisation chooses what customers to address, it must go through many obstacles and make many decisions to guarantee that it delivers the product to its final customers in the way it was promised in the first place. During this process, several factors will positively and negatively affect organisations marketing activities. Among these different factors, some of them can be controllable and some not at all. The ones that can be controlled are called the Marketing Mix elements. On the other hand, the factors that an organisation cannot control can be named as the marketing environment (Kurtz and Boone, 2006). In this case, a company tries to create a Marketing Mix that fits into the marketing environment rather than seeking to control them.

Going back to its beginning, the Marketing Mix has its origins in the early 1960s when Jerome McCarthy first suggested the classification of Marketing Mix elements. He divided the variables that an organisation can control by itself under four different groups that are known until today as the 4 P's of marketing: Product, Price, Promotion and Place (Dager, 2009).

Further, new P's have been introducing to the Marketing Mix model. However, for the purpose of this case study, the focus will be just in the traditional Marketing Mix model with the 4 P's mentioned above. This concept has been favourably used since it was introduced since it made the marketing easy to handle and organise. **Table 5** shows the variables that each element of Marketing Mix covers.

**Table 5 –** Elements of Marketing Mix

| Product | Price | Promotion | Place |
|---|---|---|---|
| • Physical product<br>• Service<br>• Features<br>• Benefits<br>• Quality level<br>• Accessories<br>• Installation<br>• Instructions<br>• Warranty<br>• Product lines<br>• Packaging<br>• Branding | • Objectives<br>• Flexibility<br>• Level over product life cycle<br>• Geographic terms<br>• Discounts<br>• Allowance | • Objectives<br>• Promotion blend<br>• Salespeople<br>• Advertising<br>• Sales promotion<br>• Publicity | • Objectives<br>• Channel types<br>• Market exposure<br>• Kinds of middlemen<br>• Kinds and location of store<br>• How to handle transporting and storing<br>• Service levels<br>• Managing channels |

Source: Cannon *et al.* (2008: 36)

## Product

This is the first variable that an organisation must consider from all the four elements of Marketing Mix while the other three should be considered only after an organisation creates a product.

Different authors and different books have different definitions for the term "product". Some of them classify a product as a general name that could belong to all the things that can be offered to a customer. Others assume the position that a product refers only to tangible goods. As defined by Kotler, *"product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, persons, places, properties, organisations, information, and ideas"* (Kotler and Keller, 2012: 325). Furthermore, a product can also be a combination of two or more of products and not just one.

To increase customer value, marketers add features to the market offering or product at three levels as mentioned in Kotler's book: core benefit, actual product and augmented product. Each product level is created by adding values to the core product. The first level is the core benefit that customers purchase. Secondly, by developing product features, the core benefit becomes an actual product which means that it has features such as design, packaging, quality and brand name. Finally, on the third level, the actual product becomes an augmented product when a marketer adds a set of attributes and conditions to it (Kotler and Armstrong, 2011).

It seems clear that a firm should try to find possible ways to make their core benefit into an augmented product. Nevertheless, sometimes a single product is not enough to meet the needs of target customers even it is an augmented product. Therefore, a firm offers several products which can be similar to each other or offers completely unrelated products. (Cannon *et al.,* 2008).

## Price

According to Kotler and Keller (2012), the price is one of the most flexible elements of Marketing Mix and can be modified easily comparing to the other variables. The variable price represents what customers must give up obtaining the benefits offered by the rest of an organisation's Marketing Mix proposal. In this sense, it plays a direct role in shaping customer value (Cannon *et al.,* 2008). In other words, the price is the amount of money that a customer pays for a specific product. This variable is influenced and determined by a couple of factors including costs, organisation market share, demand in the market, the price of competitors, product identity and the customer's perceived value of the product. Here, organisations and marketers also should follow a certain price setting process to set the most favourable price. First, it should define its price goals and then create a suitable pricing strategy that will help the company achieve its price goal. Finally, it should adjust the price if there is geographical pricing, psychological pricing and so on.

Before setting the price, a firm must consider what kind of pricing objectives it should go for. It seems that all company establishes a price which is intended for getting maximal profit. Pricing objectives vary among different organisations depending on their overall goal, marketing objectives and other related factors. It means that not all companies aim at profit maximisation. Some companies set their price for achieving maximal profit, some of them aim at an increase in their market growth or aim at creating respect in the market by setting a higher price.

To achieve the previously mentioned pricing objectives, a firm must create a proper price strategy. According to Kurtz and Boone (2006), there are three types of pricing strategy: skimming, penetration and competitive pricing.

According to these authors, skimming price is when an organisation sets comparably higher price than the competitors and it is mostly used when introducing a new product into the market. Normally, this type of strategy is recommendable for highly unique products. On the other hand, when an organisation has a product that already exists in the market and has many substitutes, a penetration strategy would be more recommended. Throughout this way, by offering relatively low price, this will help the organisation to reach customers and make its products more recognised. Moreover, companies and its marketers can also go for a competitive pricing strategy. Here, a company sets its price by matching with other player's prices and tries to distinguish itself by putting the focus on other Marketing Mix variables (Kurtz and Boone, 2006).

As highlighted before, several internal and external factors should be taken into account during the price setting process. First, a company must develop research on demand in its market. Second, a company's internal cost functions should be examined carefully.

Moreover, finally, the responsible for pricing must consider competitor's prices, costs and price change reactions from customers.

Depending on the competitive situation, the company adjusts its basic list price according to the variety of factors. There are five types of pricing policies that help the company to set the price: geographical pricing, price discounts and allowances, promotional pricing, differentiated pricing and product mix pricing (Kotler and Keller, 2012).

**Promotion**

From a customer point of view, advertising is the most visible activity from all the activities that are being accomplished by an organisation. Nevertheless, the reality is quite different. The promotion variable involves not only advertising but also other promotional activities such as public relation, sales promotion, personal selling and direct marketing. Promotion is *"the function of informing, persuading, and influencing the consumer's purchase decision."* (Kurtz and Boone, 2006: 482).

As stated by Cannon *et al.* (2008), the promotion has three primary goals: informing, persuading and reminding. First, informing goal aims at telling customers that the product is available in a certain market so that the customers become aware of it. The second objective is to make the customers buy the product by persuading them in an effective way. Finally, when the product is familiar to the customers, the company should think about promotional activities that will help to remind customers about the particular product.

There are several promotional methods. As stated by Cannon *et* al. (2008), usually they are divided into three groups: personal selling, mass selling and sales promotion. Therefore, it is better to take them in an account in combinations – which is called the promotion mix.

The first method, personal selling, is about having one-to-one interaction with the customers through salespeople. It implies direct spoken communication between sellers and potential customers (Cannon *et al.*, 2008). Although the company can have immediate feedback from customers, this method requires a tremendous effort and money.

On the opposite side, *"Mass selling is communicating with a large number of potential customers at the same time."* (Cannon *et al.*, 2008: 370). Moreover, there are two distinct forms of mass marketing:

- Advertising: Is the primary form of mass selling. *"Advertising is any paid form of non-personal presentation of ideas, goods, or services by an identified sponsor."* (Cannon *et al.*, 2008: 370). Television, radio, the internet, cinema, newspapers are used for advertisement. Internet promotion has mainly become one of the effective ways of promoting a business (websites, banner ads, search engines, mass e-mails are the common types of internet promotion).
- Publicity: Unpaid forms of non-personal presentation of ideas, goods or services.

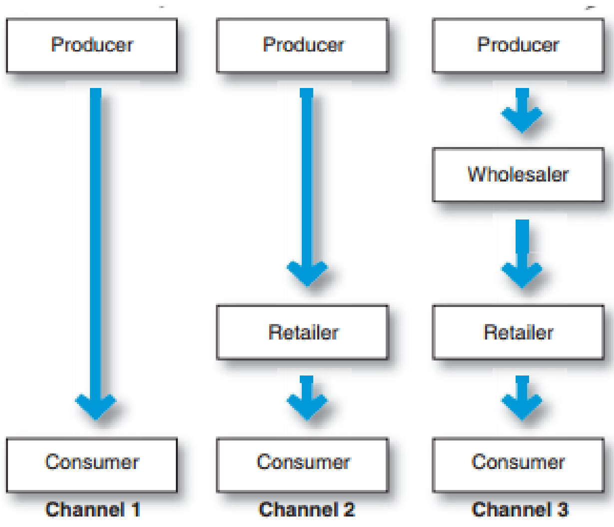
**Place**

Instead of a place, some marketers also referred several times this variable as a distribution channel. *"Place is the activity of making goods and services available in the right quantities and locations when customers want them."* (Cannon *et al.*, 2008: 290). Following this line of thought, a place can be any physical premises like supermarkets, stores, groceries, as well as virtual places like internet shops.

Each organisation should define which distribution channel is more suitable and efficient for its context and business. **Figure 4** demonstrates the different distribution channels that an organisation can choose. The option could be to sell the products either directly to the customers or through wholesalers, retailers and other agents instead.

Normally, there are two types of distribution channels: direct marketing channel and indirect marketing channel. As defined by Kotler and Armstrong (2011: 343) *"Direct marketing channel has no intermediary level. Indirect marketing channels are channels that contain one or more intermediary level."* (**Figure 4**).

**Figure 4** – Distribution Channels




Source: Kotler & Amstrong, 2011: 343

### 2.3.3. Customer Education

The first definition was stated by Meer (1984). According to this author, the concept of customer education is related to any purposeful, sustained and organised learning an activity that is projected to transmit attitudes, knowledge or skills to customers or potential customers by an individual business or industry. Further, according to the author, it can vary from self-instructional material for a particular product to a formal course related to a certain product or service.

Additionally, McNeal (1978: 51) suggested that companies should consider education as a major competitive strategy: *"Business, not the public school systems, should educate consumers about their products. In meeting their responsibility, they will receive many benefits - including bigger profits"*.

According to this author, there are three potential outcomes of customer education for companies: (1) companies will realise many benefits including larger profits; (2) companies will recruit and retain satisfied customers, contributing to favourable attitudes toward products; (3) there will be a reduction in confrontations.

Utilising these strategies, the businesses can acquire or leverage a competitive advantage and enhance customer loyalty. Many researchers shared this vision. They believe that education would have a long-term impact on consumer behaviour and that this would strengthen consumer behaviour at every step of the decision-making process (Bloom, 1976; Bloom and Silver, 1976).

Moreover, customer education can also be defined as the process by which companies systematically share their knowledge and skills with external customers to foster the development of positive attitudes (Honebein, 1997). Dankens and Anderson (2001) promoted this idea, by stating that it directly increases customers satisfaction levels. Well trained customers are more knowledgeable about products and more likely to use them efficiently.

Another two authors, Honebein and Cammarano (2005) discuss the concept of customer expertise and the role of customer education in developing such knowledge. According to them, customer education reflects the process that companies use to build the skills of the customer over time.

In fact, customer education could bring enormous benefits and one of them is customer loyalty. The expected outcomes of customer education are increased customer satisfaction and loyalty (Meer, 1984; Honebein, 1997). It is fundamental to understand better what the objectives of customer education are. Researchers in marketing field reminded us the importance of product usage and consumption as a key business issue for companies. According to Best (2005), the inability to use a product can prevent a market from expanding to its full potential.

All these reasons show the advantages of customer education in product usage and benefits. Best (2005) explains that specialised education can be necessary to use some products. Meer (1984) and Honebein (1997) stress that a primary objective of customer education is to develop customer product usage related skills. According to this idea, by learning about a product, customers can perform their consumption-related tasks better and more appropriately by unlocking the products value potential.

Summing up, there are three primary goals. The first one is to provide customers with product usage related knowledge and skills. The second goal is to influence product usage. Finally, the last is to keep customers satisfied and loyal to the product. These direct effects of customer education also seem to affect company performance, specifically, customer satisfaction and customer loyalty. Research on customer education almost agrees that customer satisfaction and loyalty are the ultimate outcomes of customer education.

### 2.3.4. Customer Acquisition

The concept of customers being an integral part of the marketing field is, of course, one of the central parts. Marketing is often referred as a *"societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others"* (Kotler and Keller, 2012). Although the company has well-developed customer retention plans, it needs to acquire and replace its existing customers. Over time, customers may replace the company's products with others, or they might even find these products obsolete.

Therefore, customer acquisition is one of the key marketing processes that could be defined as the process of finding the right customers that provide a profitable return (Kotler and Armstrong, 2011). Additionally, according to Levitt (1986), customers are assets that need to be acquired before they can be managed for profit.

Contextualising the concept in its different scenarios is important. Customer acquisition is hugely important to organisations in many contexts: new business entering in a new geographic or customer market segments, new product or service launch, new applications for an existing product or service exploration when repeat purchases are less frequent, and also when switching costs are low.

Further, customer acquisition is vital even where customer retention is justified as the core strategy. It has been observed that 25% or more of customers may need replacing annually (Sellers, 1989; Hanan, 2003) which means that companies should be in constant adaptation and renewal. For instance, in a business-to-consumer context, customers' personal circumstances may change such that they no longer find value in an offering. Following that same logic, as stated by Dowling (2002), customers have little time, energy or interest in establishing strong brand relationships. Some customers are many brand switchers or portfolio shoppers, and others are simply interested in need fulfilment, rather than continuity.

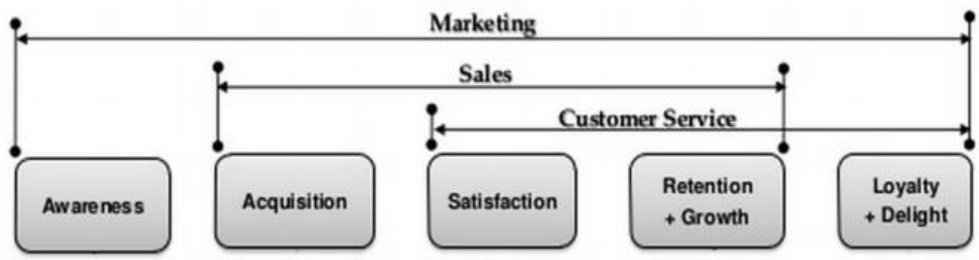
When organisations want and need to acquire new customers it is fundamental to keep one golden rule in mind: it is crucial to select the right customers to serve before deciding the best way to acquire them. This is an imperative issue since the organisations will not be able to serve all customers in every way. After that, as stated by Jobber (2010), nowadays organisations choose to segment their customers and focus more on the ones that they can acquire, satisfy and bring profitability. After that decision about which segment to target, it is required to understand the customers first. To do so, three concepts need to be recognised (Kotler and Keller, 2012):

- First, the needs refer to basic human requirements;
- Second, the wants are the alternative form of needs which are moulded by culture and individuality;
- Finally, wants that are supported by the capacity to pay are often call demand.

It is crucial to understand these concepts since it is hard to provide service with better value that leads to successful customer acquisition if the company itself does not know what the customer's needs and wants are which will not create high demand.

Nowadays, customer acquisition is an important topic since in some businesses the constant acquisition of new customers is the only way to survive since the environments are becoming more and more competitive. Customer acquisition is often mentioned as a part of customer lifecycle management, another important concept to understand. Customer lifecycle is connected to key marketing activities of getting, keeping and growing a customer base. **Figure 5** illustrates the relationships between customer lifecycle management with marketing and sales.

**Figure 5** – Customer Lifecycle Management




Source: Adapted from (Statanalytics.com 2014)

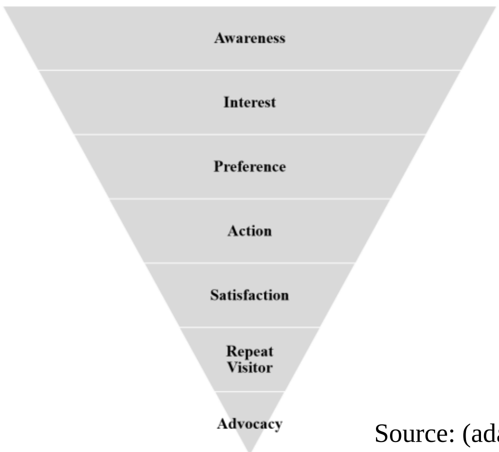
Another point of view is presented by Kotler & Keller (2012) that mention customer acquisition as a part of customer relationship management concept. Buttle (2009) describes customer acquisition as a part of customer lifecycle management and customer relationship management. According to this author, customer lifecycle management can be divided into three different categories: (1) Acquiring new customers; (2) Retaining existing customers and (3) Developing customer value (Buttle, 2009). Further, this author states that both definitions - customer relationship management and customer acquisition management - must be viewed as strategic organisational goals and perform fundamental roles in companies (Buttle, 2009).

The marketing mix introduced by McCarthy is a good framework to start planning both marketing and customer acquisition efforts (McCarthy *et al*., 2011). The marketing mix is often defined as a *"set of tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market"* (Kotler and Amstrong, 2011: 51). It includes four important variables - presented before in this literature - that the company must look at when planning customer acquisition efforts. The successful marketing and customer acquisition plans should include strategies for all the four marketing areas.

Customer acquisition has been defining. It creates a good foundation for company growth and is fundamental to look at the core customer acquisition models. Sales funnel approach is the core customer acquisition model, most known as the customer acquisition funnel or buying process (**Figure 6**). The logic behind is the same presented in the sales and marketing funnels. The sales funnel approach to customer acquisition is a useful framework when a company knows its customer and market.

An acquired customer can be viewed as a customer who has passed through the whole funnel from the "unaware" to the "advocacy" stage (**Figure 6**). Keeping this in mind, the challenge of customer acquisition is to understand what makes consumers convert on each stage and move on to the next one in the funnel. Further, understanding the consumer decision-making process and marketing techniques used in each step is of the utmost importance.

**Figure 6** – Basic Customer Acquisition or Sales Funnel




Source: (adapted from Mandossian 2014)

#### 2.3.4.1. Customer Acquisition and Customer Types

Discussing customer acquisition can have two different visions regarding customer types. The first one is viewing a customer that is new-to-category while the second one is when a customer has seen as new-to-company.

As stated by Buttle (2009), new-to-category customers are those who have just identified a new need or have found a new category that could be a solution for an existing need. On the other hand, new-to-company customers are the ones that found a solution from a competitor and thus must be won over by the company itself.

Researching customers and their behaviour are crucial for successful customer acquisition. Companies should consider that they could pursue different strategies to gain more customers regarding the type of customer, that is, customers that are not aware or are entering the category and customers that knew already but consume another product/brand.

Additionally, it is also fundamental to understand the company market positioning and market penetration strategies.

### 2.3.5. From Funnel to Customer Journey

Nowadays, it is almost mandatory for companies to look at consumer behaviour as a tool that drives sales and increases customer acquisition. East and Vanhuele (2013) agree that consumer behaviour and marketing strategy planning go hand in hand. The scope of consumer behaviour research is focused on the following questions: how do consumers buy goods and how do they use them? How do they react to prices, promotion and other changes? What behavioural patterns drive these responses? What influences consumer purchase decisions the most?

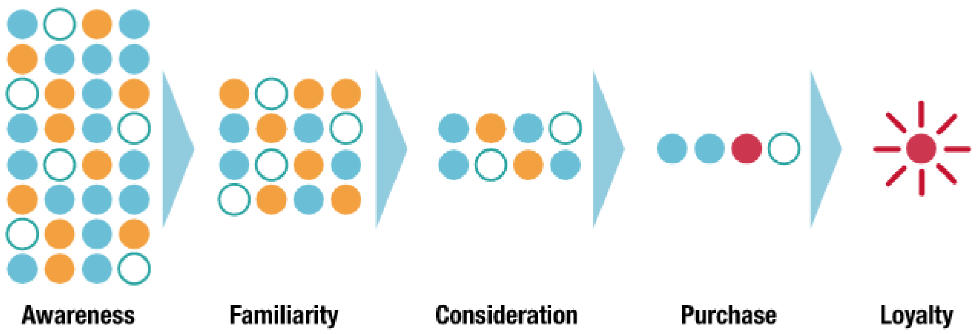
Even though this particular section will not study answers to all of these questions, it would be beneficial to have a look at some of the most common and most important topics in consumer behaviour such as customer decision making.

### 2.3.5.1. Customer Decision Making

According to Court *et al.* (2009), customers are moving outside the marketing funnel by changing the way they research and buy products. Customer decision making is one of the central concepts of customer behaviour research. One of the primary marketing goals is to influence customer decision making when the customer is ready to make a purchase (Court *et al*., 2009).

According to these authors, marketing has always searched those moments, or touch points, when customers are open to influence. For years, touch points have been understood through the metaphor of a "funnel". First customers start with several potential brands in their minds and marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end, they emerge with the one brand they chose to purchase (**Figure 7**).

**Figure 7** – Traditional Funnel Metaphor



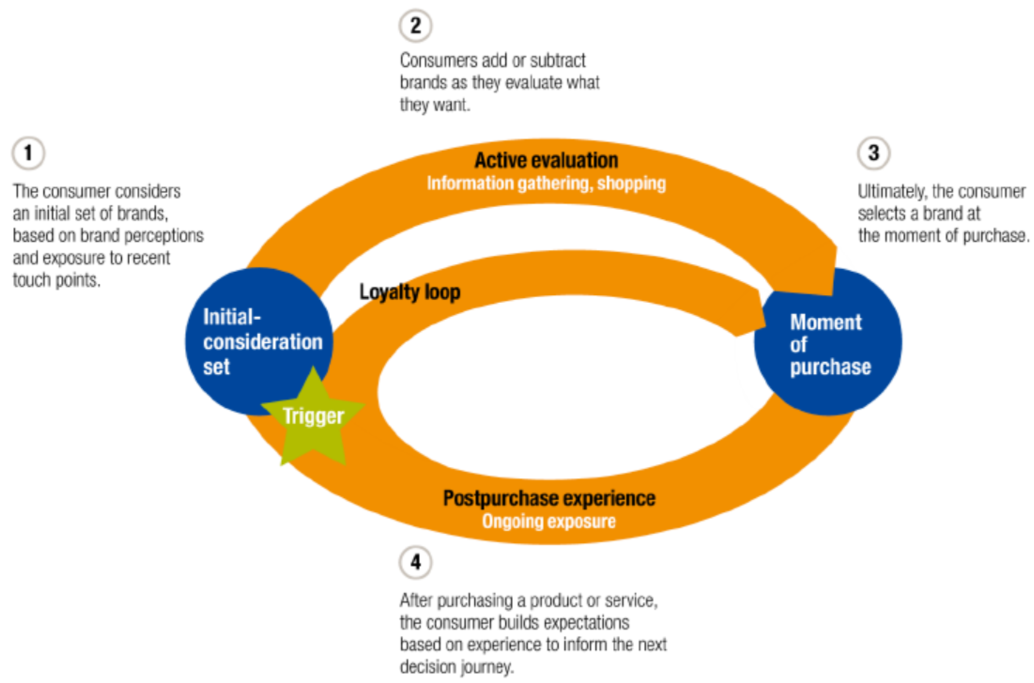

Source: Court *et al.*, 2009

Today this funnel approach can be enriched since it does not capture all those touch points and key buying moments resulting from the explosion of digital channels, together with the emergence of an increasingly discerning, well-informed customer. In this sense, a more sophisticated approach is needed to help marketers work in this environment which is more complicated than it looks with the funnel approach (Court *et al.*, 2009).

The authors call this new approach the consumer decision journey (**Figure 8**). According to Court *et al* (2009),*"decision-making process is a more circular journey, with four primary phases representing potential battlegrounds where marketers can win* *or lose: initial consideration; active evaluation, or the process of researching potential purchases; closure, when consumers buy brands; and postpurchase, when consumers experience them"* (Court *et al.*, 2009).

It is crucial for companies and brands to understand that customer decision making begins from want or a trigger, followed by the brand consideration. After that, as customers add and subtract the brands, they are getting closer to their decision. Finally, after the purchase, it is time for the customer to build expectations based on experience to inform the next decision journey, which means, the repurchase (**Figure 8**).

**Figure 8 –** Consumer Decision Journey as a Circular Journey




Source: Court *et al.*, 2009

### 2.3.5.2. Customer Touch Points

Every company needs multiple touch points to stay connected with the customer and remind him of the brand. *"Touch points are the means that we use to interact with our customers. Touchpoint interactions must be targeted to a specific customer or customer company, and they must allow for a response (a conversation, a transaction, a reply, and so on)."* (Kincaid, 2003: 50).

The companies and brands need to be relevant and, more than that, need to show themselves to customers to create the right trigger and fulfilled their wants. Touch points are often mentioned in a context of customer relationship management (CRM) and sales cycle approach. According to Kincaid (2003), successful businesses understand the timing and placing of strong touch points.

### 2.3.6. Customer Retention

As stated by Thompson (2004), customer retention is about increasing sales by endlessly satisfied and serves the customers, so they will keep coming back. Having this in mind, to ensure the customer retention to be successful, the quality of the products and services needs to be able to satisfy or go beyond customer expectations. Furthermore, this though has also supported in the work of Storbacka and Lehtinen (2001), where these authors highlight that taking into account what are the customer's needs nowadays is not enough, it is also fundamental to identify or forecast the customer's future needs.

Moreover, Reichheld (1996) has argued that customer retention is less costly when compared to customer acquisition, as customers that are satisfied and believe in certain products and services tend to increase the switching costs regarding trust and convenience. While exploring the concept of customer retention, it is important also to take a brief look at another important concept which is customer loyalty.

### 2.3.7. Customer Loyalty

Many definitions of customer loyalty have been proposed. Is important to define what customer loyalty is not (Prus & Randall, 1995):

- Customer loyalty is not customer satisfaction – is important to keep in mind that satisfaction is a required but not sufficient criterion. Very satisfied customers sometimes switch to competitors.
- Customer loyalty is not a response to trial offers or incentives – customers who react to incentives are often highly disloyal, and they often leave as fast as they came. They are very much inclined to respond to a competitor's incentive.

- Customer loyalty is not a strong market share – high market share can also be influenced by other factors such as price issues.

- Customer loyalty is not repeat purchasing or habitual purchasing – some customers choose some products because of its convenience or habits, and they can be tempted to defect for any reason.

After a brief understating of what loyalty is not, it is important to see what authors think about the concept. According to Prus & Randall (1995), customer loyalty is a *"composite of some qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviors (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others)".*

Loyalty can also be defined as: "*A deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour"* (Oliver, 1997: 392).

As stated by Dick and Basu (1994), loyalty encompasses both behavioural and attitudinal dimensions. Customer education - that was described before has a positive impact on this both dimensions of customer loyalty. When we take into account the impact on the attitudinal dimension, Henning-Thurau (2000) show us that customer education increases perceived product quality, trust in the product and commitment to the brand. Regarding the impact on the behavioural dimension, Finegan (1990) demonstrate that new customers are recruited and that sales increase over time.

The concept has been classified as long-term loyalty and short-term loyalty. Is improbable that customers with long-term loyalty would switch to brands or products from competitors. However, when alternative products with additional benefits are provided, it is likely to happen that a customer would switch to competitor's products. Following this logic, according to Morgan (1994) companies should put maximum efforts to achieve the emotional loyalty. Customers who are strongly bonded with their products make repeat purchases (Bagarozzi, 1997).

## 2.4. Methodology

To elaborate this Case Study, the following steps were taken:

- An intensive research concerning information related to the market, the category and the brand;
- A Literature Review regarding subjects related to the case main variables (Marketing Mix; SWOT Analysis; Customer Education; Customer Acquisition; Consumer Behavior; Customer Decision Making, Customer Retention and Customer Loyalty);
- A set of questions created reflecting the case themes and a resolution proposal for each one of them.

## 2.5. Case Study Lecture Plan

| Session | Objectives | Action plan | Time |
|---|---|---|---|
| 1st Session | • Develop the student's interest in the case study | • Distribution of the case study among the students;<br>• Case presentation and summary on the topic;<br>• Introducing Listerine® to the students with presentation of brand videos;<br>• Presenting initial topics on oral care market and mouthwash category to students and initial case discussion on the perception of them on these subjects;<br>• Create work groups. | 45 m |

| | | | |
|---|---|---|---|
| Out of session | • Know the case study | • Individual case study reading, diagnosis and comprehension;<br>• Initial case analysis and group discussion. | 45 m |
| 2ª Session | • Understand the case study<br>• Presentation of case study questions. | • In-class discussion on oral hygiene market and mouthwash category reality and main challenges;<br>• In-class discussion on mouthwash category companies and Listerine® current situation. | 30m |
| Out of Session | • Initial case resolution | • Additional research (books, scientific articles) on the major topics of discussion;<br>• Deep case study analysis and discussion by the group;<br>• Resolution of the first questions (main focus on the two first questions). | 1h30m |
| 3rd Session | • Case study development<br>• Clarify doubts | • In-class discussion on strategies to attract new customers and retain existing ones. | 30m |
| Out of Session | • Case study resolution<br>• Presentation preparation | • Complimentary research for case resolution;<br>• Development of the case resolution presentation. | 60m |
| Final Session | • Case resolution presentation and | • 20 min case resolution presentation, in ppt format, by each group;<br>• Questions and general class | 1h30m |

| | | | |
|---|---|---|---|
| | discussion | discussion;<br>• Final considerations on the case by the professor, based on groups case resolution. | |
| Out of Session | • Score work groups | Case resolution (50%) + Presentation (30%) + Discussion (20%). | --- |

### 2.6. Animation Questions

When introducing the case study in class, some questions should be made to make students think and be involved with the theme:

- Do you usually use mouthwash as part of your hygiene?
- What should lead you to choose one mouthwash brand instead of another?
- What mouthwash products/brands came to your mind?
- Where do you typically can find this kind of products?
- What do you think that customer value the most in this kind of products?

## 2.7. Case Study Resolution Proposal

## PART A – SITUATION ANALYSIS

### A1 - Classify Listerine® role in mouthwash category since its launch in the mass market. Identify the main points of its strategy and the key success factors for mouthwash products and Listerine® competitive advantage (s).

Being the first mover or pioneer, most of the times is a fundamental key to achieving high success. With more than 150 years of history, Listerine® is one of the oral care brands with the highest awareness in the world. Since J&J acquired the brand in 2007 with a new vision and positioning clearly defined, everything changed, both in the brand's performance and in the reality of the entire mouthwash category. In this sense, the role of Listerine® since its relaunch has always been the driver of the whole category mainly working through three main pillars:

<u>Education</u>: J&J was able to identify the critical issue in the category: mouthwash was not a step in oral hygiene or, in other words, it was not a need in Portuguese customer's minds. The effect of the 360º campaign in the relaunch was tremendous in a way that, after that moment, the need was created among potential customers (the need recognition phase in the purchase process).

<u>Acquisition</u>: We should look to this step at two different levels. First, looking to education and acquisition as a whole since this two pillars work side by side. Especially when the brand was trying both to create the need and acquire customers to the category. Secondly, the constant efforts that the brands have been pursuing along this years to increase customers penetration and even by reaching new segments of customers. Here, Listerine® communication plans have been crucial as also the launch of new products in the portfolio to reach new segments and fulfil different needs.

<u>Retention</u>: After establishing the need recognition and acquiring the desired customers, Listerine® has also been working on customer retention. This is a vital pillar since to increase penetration is fundamental to keep the existing ones. Otherwise, the slice of new customers' needs to be higher than the slice of lost customers. Since now the penetration and sales are decreasing, Listerine® needs to work hard in this pillar to understand why is losing a percentage of its customers and develop strategies to retain

them. The dynamic promotion of some competitors is not helping since it transfers some customers that are more price sensitive.

Regarding the key success factors for mouthwash products in the mouthwash category, below are the two most important ones:

- Educate customers about the mouthwash need;
- Strong support and recommendation from dentists.

Finally, the competitive advantages of Listerine® are:

- Brand awareness among customers, clients and dentists;
- Investment in the brand (strong communication plans);
- Portfolio diversification.

Note: resolution slides support for this question: 7-9.

**A2 - Frequency is vital to increase performance. In your opinion, what are the main challenges when trying to move from trial to everyday use of the brand?**

Move from trial to everyday use is one of the main issues to face the biggest problem of the brand, which is the frequency of use. The clear message that Listerine® is trying to deliver still meets resistance. There are four main areas that should be addressed:

- <u>Brushing is not enough</u> - Brushing is the gold standard for cleaning. Customers perceive that the brush enters all the necessary parts of the mouth. In this sense, what does mouthwash add? Many customers look upon mouthwash as akin to air freshener. If they have clean their mouths properly, they do not need mouthwash. Listerine® needs to continue to make a positive case for using the product – one which highlights the therapeutic benefits beyond brushing.
- <u>Fresh breath is a false friend</u> - It often seems easy to sell mouthwash as a breath freshener. Many people can use Listerine® exclusively for fresh breath. However, calling out bad breath creates a stigma. It associated the brand with an embarrassing problem rather than with good health. Listerine® wants to have a positive image and impact. Breath freshening does not ladder up to Listerine® core brand equity of health and vitality.

- Listerine® burn - The brand is perceived as the “feel the burn” to light and non-users. Some of them view its sensation as too powerful and its taste too strong. Consequently, Listerine® milder-flavoured competition has tried to exploit this. Thus, the brand needs to utilise this perceived weakness and turn it into strength.
- Habituation - Healthy habits typically became part of people’s character. These behaviours must simply be part of who people are. For those in the population that did not grow up with Listerine®, how can the brand normalise its use? The brand needs to ensure that it fits naturally into people’s routine and does not seem forced or obsessive.

Looking into these challenges closely appears that they bear on the trait in common. They are emotional. That means that Listerine® solutions will, at least in part, need to unite the emotional elements of the brand with great claims that establish an important, compelling reason why Listerine® goes beyond brushing, leaving people’s mouths vital, healthy and completely clean.

Note: resolution slides support for this question: 10-12.

**A3 - Identify the bottlenecks of Listerine® regarding the three following perspectives: customer, type of product and distribution.**

| Product Format | Customer/Buyer | Distribution |
|---|---|---|
| Listerine® is the driver of 500ML-1L (format that develops more frequency). However, it is in the 251ML-500ML (format that develops more penetration) that Listerine® is mostly affected. In this last format, the leadership is owned by far by private labels (**Graphic 6**). | Half of Listerine® customers are light buyers (buy until 0,72L): mainly individuals until 34 y.o. that belong to medium and medium-low classes. The brand is more affected in extreme profiles: high class and low class, as also in young and old people. Further, it is overdeveloped in the less relevant profiles (**Appendix 10**). | Listerine® positions itself as a specialist brand in this category and has a crucial role in educating the customer on this need. Much of its strategy focuses on professional strategy. For this and all the support on TV, having a residual presence in a specialist channel (Pharmacy) can be viewed as a weak point of the brand. |

Note: resolution slides support for this question: 13-14.

**A4 - Given the information presented regarding the mouthwash category and Listerine®, develop a SWOT Analysis and identify the key findings.**

| Strengths | Weaknesses |
|---|---|
| S1. High brand awareness<br>S2. Best loyalty and customer base<br>S3. Brand heritage<br>S4. Advertising power | W1. Performance affected by extreme profiles<br>W2. Losing contacts with customers<br>W3. Bad performance in middle format<br>W4. Special tasting flavour |
| **Opportunities** | **Threats** |
| O1. Growth potential in some clients<br>O2. Young people and middle-class opportunities<br>O3. Potential to growth the mouthwash category<br>O4. Strong sense of health | T1. Category is losing frequency<br>T2. The necessity of mouthwash is harder for customers to understand<br>T3. Promotional dynamic of mass market<br>T4. Customers have little emotional connection to mouthwash products |

**STRENGTHS**

S1. High brand awareness – When someone thinks of mouthwash, Listerine® is usually the first brand to enter in the customer's mind. The brand has a global status: it dominates the market globally and is the original mouthwash. The leadership in Portugal since the launch in 2008 supports this awareness. Listerine® is the number one brand among producers with 24,5% regarding volume (**Figure 2**) and stands out with almost one-quarter of the total category volume. Is also the leader in value with 41% (**Graphic 1**).

S2. Best loyalty and customer base – Throughout the analysis that puts together the actual relative penetration and the actual loyalty volume, Listerine® stands out regarding loyalty and customer base compared with other competitors. As showed in **Appendix 11**, when customers buy mouthwash they look in first place for the brand (47%). For the majority of customers, the loyalty to the brand is huge, and in the case of out of stock, typically they buy another flavour or delay the purchase (**Appendix 12)**. These two factors represent a huge advantage for Listerine® due to its high brand awareness.

S3. Brand heritage - The brand has been engaged in oral care industry from a long time, 150 years to be more precise. They are the oldest producer of oral care products. This makes Listerine® the most senior brand in this industry, and due to this, the image of the brand remains strong and concrete in customer's eyes.

S4. Advertising power – Listerine® is known for its high impact advertising and branding and has strong TV advertising using a tonne of humour and for its strong activation in the point of sales (**Appendix 3**). Is the most recommended by dentists: the brand holds all the medical approvals and certifications from higher medical boards which ensure the customers that Listerine® is the choice of professionals.

**WEAKNESSES**

W1. Performance affected by extreme profiles – Looking to where Listerine® is affected regarding segments, it happens in extreme profiles such as high class and low class, in young and old people. Regarding volume and penetration, there is a negative trend in high/middle, upper classes as also in people until 34 years old and 65 years old and more. Looking to **Appendix 10** - that compares the main players in - is evidence that Listerine® is underdeveloped in less relevant profiles.

W2. Losing contacts with customers– Besides that Listerine® presented the best indicators among competitors; the brand is not able to develop contacts with customers (**Appendix 8**). Regarding customer reach point (CRP) – which means customers multiplied by frequency - private labels represent the larger slice followed by Listerine®. Comparing with the previous period it is evident that Listerine® is not developing contacts with customers with - 9,1% regarding evolution while some competitors such as Colgate and Tantum reached 17,7% and 21% respectively.

W3. Bad performance in middle format – As showed in **Graphic 6**, Listerine® is mostly affected by the middle format (251ML-500ML). In this format, the overall market is decreasing - 4,2 comparing with homolog period and Listerine® is declining -6,5 which means that the brand has a problem in this particular format. Also in the lower format (until 250ML), the brand is below the entire mouthwash category.

W4. Special tasting flavour - The original formula has notoriously strong flavour, although methods have been utilised to make it taste milder. The brand is perceived as the "feel the burn" to light and non-users. Some of them view its sensation as too powerful and its taste too strong. Consequently, Listerine® milder-flavoured competition has tried to exploit this. Three types of Listerine® flavours on the market, including Menthol and Teeth & Gums, may make some people uncomfortable. Listerine® intense flavours as mentioned here triggers extreme sensations: some people love it, some people hate it. Nevertheless, this point can also be seen as a point of differentiation since some customers love this special taste.

**OPPORTUNITIES**

O1. Growth potential in some clients – PD, Auchan and Intermarché, represent growth opportunities for the mouthwash category. Continente and PD are the two retailers that recruit more and reach more homes. However, regarding evolution, PD and Lidl are the retailers that have a greater development regarding loyalty regarding volume. Is vital to find where the customer buys and adapt the strategy to each channel/retailer.

O2. Young people and middle-class opportunities – Different stadiums of life require different consumption options. In this sense, it is crucial to understand the behaviour of each group to better address its specific needs. According to Kantar WorldPanel, there are some opportunities in the fast-moving customer goods such as identify opportunities in the consumption moments is fundamental, adjust the type of promotion to each target and anticipate when the shopper will return to the point of sale. There is an opportunity to develop the middle class and young people with specific communication and actions.

O3. Potential to grow the mouthwash category – Besides the opportunities in specific customer segments and the potential in some clients, this category still has potential to grow. Some of this potential is in opportunities such as the ability to convert light buyers into heavy buyers (understanding the barriers to the low use of the category) and in developing strategies to attract the non-mouthwash buyers (understanding the barriers to the use of the category).

O4. Strong sense of health – With the improvement of living standards, people are more concerned with oral health. Listerine® mouthwash has a significant role in the inhibition of dental plaque and gingivitis to keep the oral health. Also, the perfect shape of selfimage is a modern spiritual pursuit, and a good image of the breath is one most important aspect. Listerine® mouthwash is just the product that makes breath fresh.

**THREATS**

T1. The category is losing frequency – The performance of the oral care market is suffering from less regular customers. In the mouthwash market, the gain in buyers is not enough to compensate the loss regarding frequency. This is nowadays one of the biggest problems and challenges of this category.

T2. The necessity of mouthwash is harder for customers to understand – Comparing to toothbrushing, the need of using mouthwash in the daily hygiene routine is more challenging for customers to understand. Further, some of them think in mouthwash as a substitute for toothpaste and toothbrushing and not as a complement.

T3. The promotional dynamic of mass market – Mass market is known for a powerful price dynamic. This phenomenon triggers very intense competition among competitors while each one of them is assisting the decrease in their margins over the years. Since the launch of Listerine® by J&J, due to its positioning and strategy, the brand did an incredible job since it was able to never create a price promotion. However, with all the competitors increasing their promotional activities and the private labels growing and gaining their space, Listerine® should be aware of this threat.

T4. Customers have little emotional connection to mouthwash products – This is a category where is hard to create an emotional connection with customers. The customers abandon the category and change between competitors very easily.

Note: resolution slides support for this question: 15-16.

## PART B – SOLUTION

### B1 – What should be the focus of Listerine® to increase penetration and frequency and retain loyalty regarding the type of population?

Listerine® has two main challenges in hands. First, increase penetration. Secondly, the brand needs to raise the frequency of use. When talking about increasing these indicators, is crucial to think about which population Listerine® needs to reach and which strategy needs to pursuit in each one of these population to get the desired result.

In this sense, the brand needs to focus on two different types of population. In one hand the group of people that is not a mouthwash customer. On the other hand, the group that is already a mouthwash customer. In this last group, two subgroups should be considered: the Listerine® customers and the competitors' customers.

The table below shows what should be the strategy both for mouthwash buyers and non-buyers and identifies the different groups to address and the primary objective and actions to pursuit in each one.

<table>
<tr><th colspan="3"></th><th>Objective</th><th>Actions</th><th></th></tr>
<tr><td rowspan="3">Population</td><td colspan="2">70%<br>Non-Mouthwash<br>Customers</td><td>Increase<br>Penetration</td><td>- <u>Dentists Recommendation</u>: "if my dentists tell me to use it I will do it."<br>- <u>Disruptively Educational TVC</u>: 70% of decision made at home + to the right target<br>- <u>Innovation</u>: for uncovered need state<br>- <u>No Alcohol Range</u>: diverse people do not use Listerine® for this reason<br>- <u>Attractive Price</u>: 500ML to bring innovation on good tier and/or review pricing & 250ML as a penetration driver with a better price (example 20% promotion)</td><td rowspan="3">Portfolio Strategy: to help to differentiate the products and increase purchase intent</td></tr>
<tr><td rowspan="2">30%<br>Mouthwash<br>Customers</td><td>10%<br>Listerine®<br>Customers</td><td>Retain<br>Loyalty<br>& Increase<br>Frequency</td><td>- Recall TVC<br>- Innovation<br>- Promo & Visibility</td></tr>
<tr><td>20%<br>Competitors<br>Customers</td><td>Switch from<br>Competitors</td><td>- Price & Promo<br>- Superiority TVC<br>- Superiority Claim on Pack<br>- No Alcohol Range</td></tr>
</table>

Note: resolution slides support for this question: 17-18.

**B2 – Would you make any change (s) in the Promotion variable of the marketing mix that could be vital to recovering Listerine® good performance? You should consider both penetration and frequency problems.**

Regarding the promotion variable, Listerine® should review and adapt its strategy regarding two points:

- Professional Activation:

The recommendation is a key success factor in this category. The use of mouthwash as a necessary step in the oral hygiene requires huge customer education efforts. Here, the dentists and hygienists have an important role. As described in the case, Listerine® professional activation has been changing in the last years.

In 2015, J&J is visiting just the KOL'- the twenty-five most important influencers. Taking into account that in Portugal we have around 8,000 dentists the KOL sample that is visited seems low.

One of the main problems that the brand is facing is penetration. For this problem, work on the need creation among customers is the key and the best way to do it is through health professionals.

Although the KOL's sample seems low, the brand should think about the best strategies to involve them with the product for them to further influence other professionals and promote Listerine® among customers.

In order to educate these professionals, this work needs to start in the universities among students – the dentists and hygienists of tomorrow. Here, the brand needs to be closer to the them and create an emotional connection since they will be the influencers of tomorrow.

Besides the fact that brand education is vital to work and develop penetration it is also very important in the moment where the brand needs to develop the frequency of use.

- Promotional Dynamic:

As stated before in SWOT analysis, the mass market channel is characterised by a strong promotional dynamic. In the last years, the competitors have been increasing their price promotion activity. Besides Listerine® positioning alongside years – without any price promotion – this strategy may not be sustainable in the near future.

Moreover, the customer is more and more price sensitive and private labels are gaining their space on the shelf, in customer's mind and in terms of share. With all these factors, Listerine® cannot remain competitive.  In this sense, the brand should consider the following promotional dynamics to use in different periods according to its needs:

**Cut Price Promotion**: In order to develop penetration, the brand should have tactical moments to apply a cut price promotion strategy in the base range. Furthermore, the brand can also pursuit this same logic in the premium range. The same logic can be applied by offering voucher discounts.

**Promo Offer**: Listerine® + Listerine® Reach Toothbrush. The goals of this are: give an extra product to the customer that will have two products from two categories (mouthwash plus toothbrush) and to educate them in the need of use mouthwash as a complement in their oral hygiene. Here, the brand can recruit even non-mouthwash customers or the ones that normally buy other brands since they appreciate and often look for promotions. This action is more focused in increase penetration since the customers may perceive the added value.

**Sampling**: Another tool that allows to lower the barrier to trial is the sampling. The brand should have this strategy in the universities (for students to use in their practical classes), at the point of sales and in brand activation actions (such as for instance in the summer festivals or through distributions in professional offices establishing partnerships with companies).

**Promo on Pack**: Listerine® 500 ml + 95 ml in the base range. This action will promote the increase in terms of frequency throughout the hero format. This way, the brand will create a new consumption moment with the concept "To Go" that allows customers to bring their Listerine® for their work and using it after lunch for instance. Also, this offer will smooth the psychological price.

**Volume Promo**: Following the same logic of the previous one, the brand can also have volume promo actions such as "take 3 pay 2" or "50% discount in the second unit". This way the brand will develop frequency since this kind of action normally reach people that already use a mouthwash and frequent users (while a customer that never tried Listerine® will not risk buying so much product at the first time).

Note: resolution slides support for this question: 19-22.

**B3 – *“We should leave the Pharmacy channel since it has a very low weight in our sales and only generates complexity when we can apply these efforts in other initiatives. Moreover, leaving this channel is obvious that we should kill Listerine® Menthol from our portfolio”.* Please comment the previous statement made by Johnson & Johnson Sales Director.**

When talking about Listerine®, we are talking about a brand with more than 150 years of history. Besides the fact that today the pharmacy channel just represents around 5% of sales, is important to keep in mind that just in 2008 the brand was launched in the mass market channel.

Following this thought, Listerine® was born in the pharmacy channel and should continue present. However, remaining in the pharmacy channel, J&J should change Listerine® strategy and offer in this channel.

First, by pulling out Listerine® Menthol from this channel, since it is not a superior product while comparing with some other products in the portfolio which are more demanded by customers and more supported by J&J. In this sense, to substitute and change the offer, the three top Listerine® references should be included in this channel.


- <u>Listerine® Teeth & Gums</u>: Is the number one reference in sales on mass market, representing 43% of Listerine® sales. Has strong support on TV and is the most recommended reference by professionals. In this sense, if a consumer is impacted by all this TV support or receives a recommendation then should find it in the channel.

- <u>Listerine® Total Care</u>: Is the most advanced and complete reference in the portfolio. With “6 benefits in 1” claim this reference is considered the top of the range and is the number two reference in sales. Since it is the most complete should be available in this channel.

- <u>Listerine® Advanced White</u>: This is the third most important reference in sales. Diverse customers search for this product since it satisfies a particular need which is tooth whitening. This reference also has high TV support.

All these products have more added value than Listerine® Menthol. However, starting to sell all these references to pharmacies could be a problem since this will add some complexity in terms of portfolio management.

In this sense, a good solution could be the development of a promotional prepack that put all the references together as a single product. Besides the three top references, the prepack should also include the Listerine® Reach Toothbrushes with the following promotional dynamic: on the purchase of a Listerine® 500ML packaging the customer receives an offer of a Listerine® Reach brush. One goal with this offer is to educate the customers in the need of use mouthwash as a complement to brushes.

Additionally, in the back part, the counter display should include specific communication for the pharmacists to educate them in the characteristics of each reference and to help them to recommend Listerine® to the final customers.


Note: resolution slides support for this question: 23-25.

**B4 – How Listerine® can bring any additional innovation with a new product to address any other need? Briefly, describe the general idea of that innovation.**

**Appendix 7** shows that cavities are the number oral care disease worldwide. Further, key customer trends show opportunities for anti-cavity, alcohol-free and natural ingredients. Further, the SWOT analysis developed before demonstrates that one opportunity in this category is the strong sense of health felt by customers. In this sense, there is an opportunity by gathering a product for anti-cavity, that is alcohol-free and has a strong sense of health containing natural ingredients.

<u>Example of what J&J did to solve this challenge (additional support to students):</u>

Below, is possible to see what Listerine® did to bring additional innovation with a new product to address this specific need. The brand launched a new product concept: **Listerine® Green Tea.**

This new product was included in the zero-alcohol premium range. Listerine® Green Tea has Anti-Cavities Protection with Green Tea Extracts. This product combines science & nature, with added benefits driving brand and category relevance.

- <u>Positioning:</u> First anti-cavities alcohol-free with natural ingredients focused variant in Listerine® range.
- <u>Price Strategy</u>: Premium price range positioning. Green Tea is a unique format that specially targets cavities.
- <u>Target Audience</u>: Non-mouthwash users. A target that is known as active, energetic, social and concerned with their health and how they present themselves, attracted by natural ingredients based products.
- <u>Formula & Formats</u>: Green Tea extract, alcohol-free, 220 ppm fluoride (proven to reduce the incidence of dental caries). Has a less intense taste. Formats: 250ML, 500ML and 95ML (to drive trial in the beginning).

The key claims of the product regarding packaging are:

- 1 – Extra Cavity Prevention
- 2 – With Natural Green Tea Extracts
- 3 – Zero Alcohol


Finally, this product has a strong 360-degree marketing support plan to make a big launch and sustain this product throughout time.

- Television: Drive awareness and consideration.
- Digital: Drive awareness throughout digital banners, social media (example: Youtube) and posts. Drive consideration throughout website product.
- Point of Sales: Drive purchase throughout premium spaces.

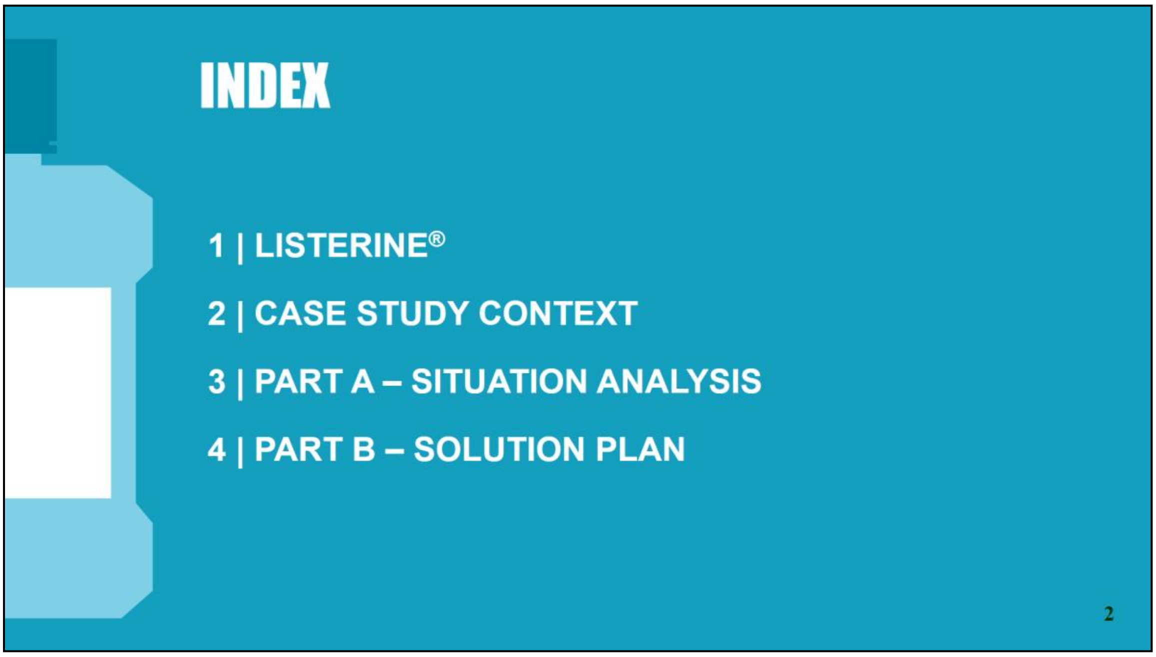

**TELEVISION**

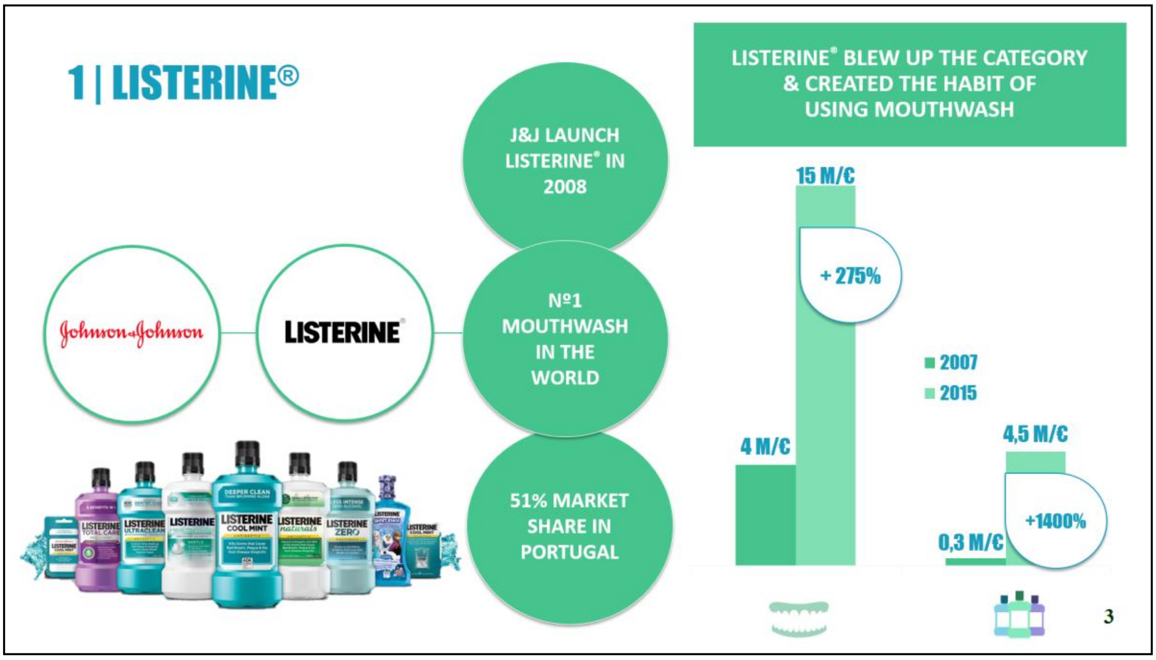

**DIGITAL**

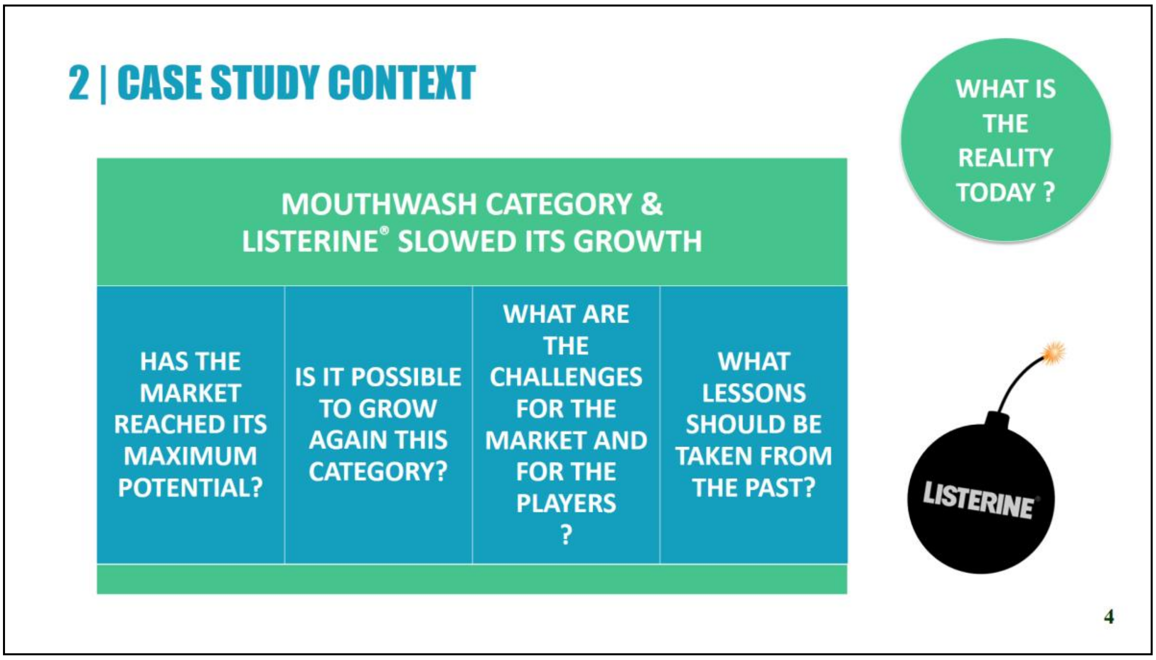

**POINT OF SALES**

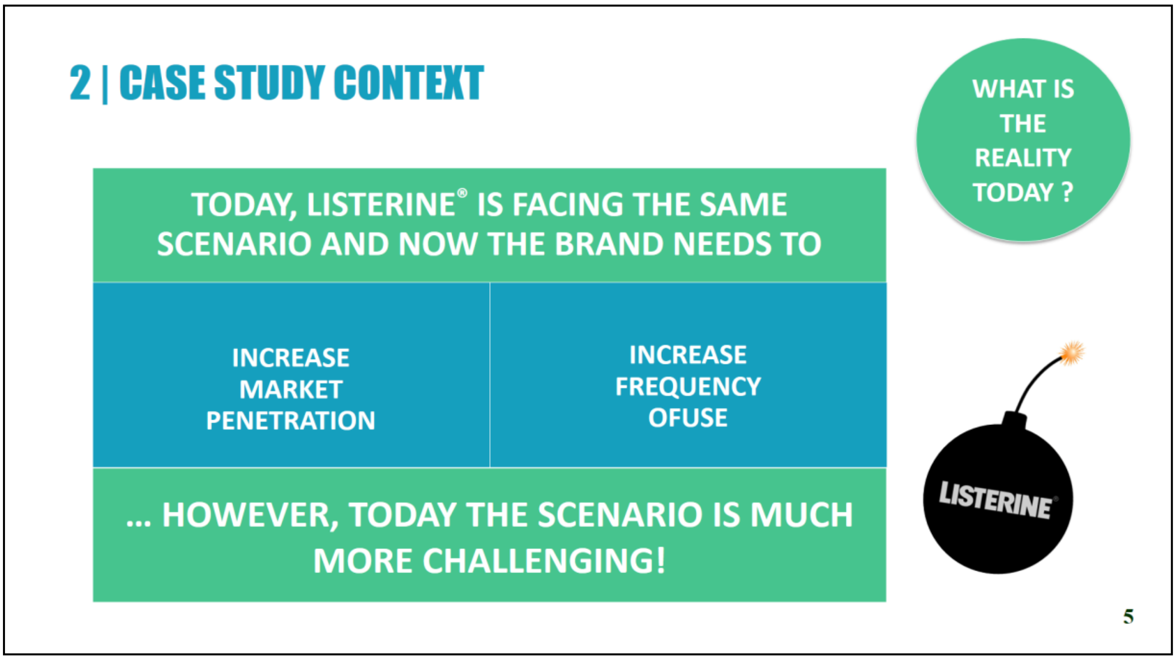
Note: resolution slides support for this question: 26-29.

## 2.8. Case Study Resolution Slides

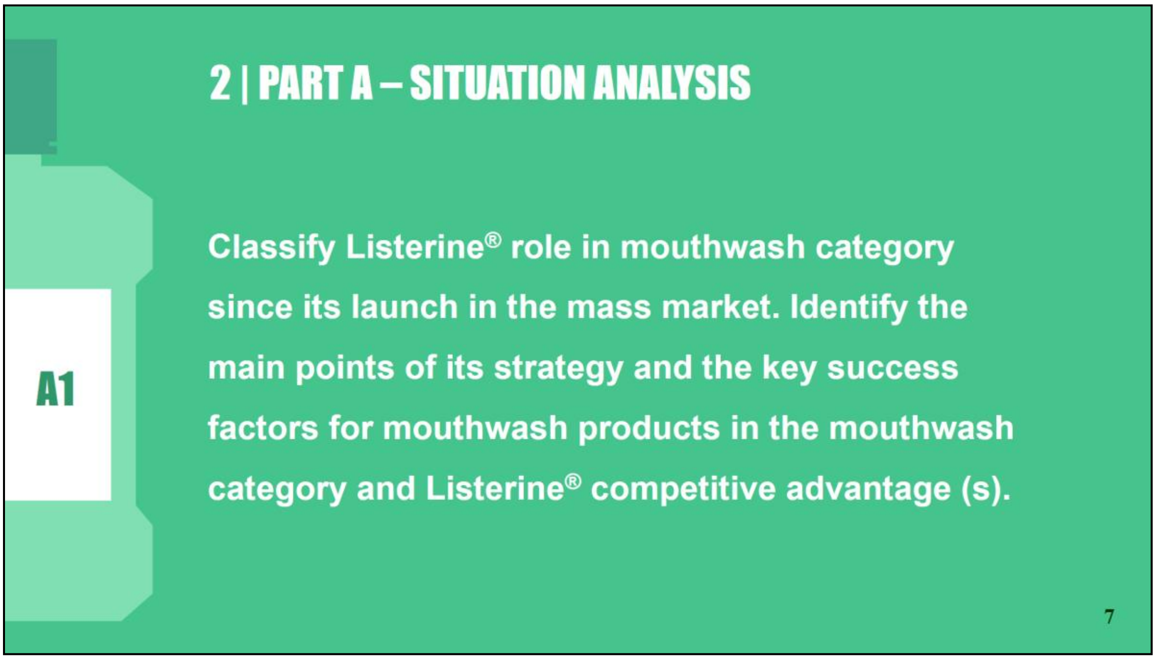



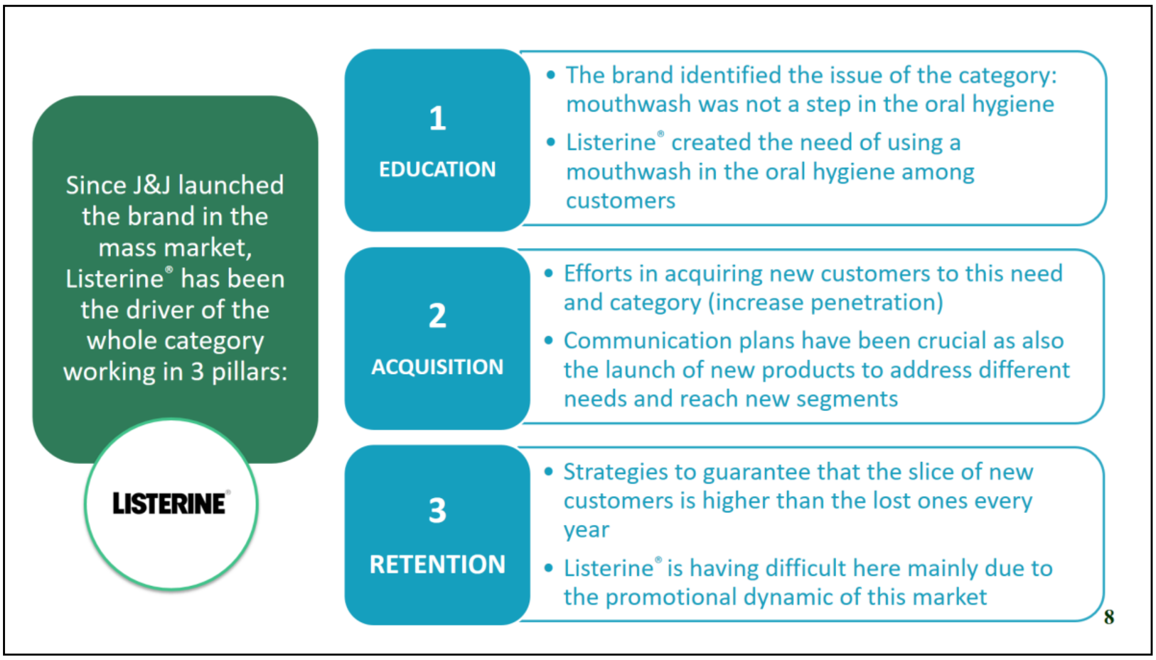

1 | LISTERINE®
LISTERINE® BLEW UP THE CATEGORY & CREATED THE HABIT OF USING MOUTHWASH
J&J LAUNCH LISTERINE® IN 2008
Johnson&Johnson
LISTERINE
Nº1 MOUTHWASH IN THE WORLD
51% MARKET SHARE IN PORTUGAL
15 M/€
+ 275%
2007
2015
4 M/€
4,5 M/€
0,3 M/€
+1400%
3

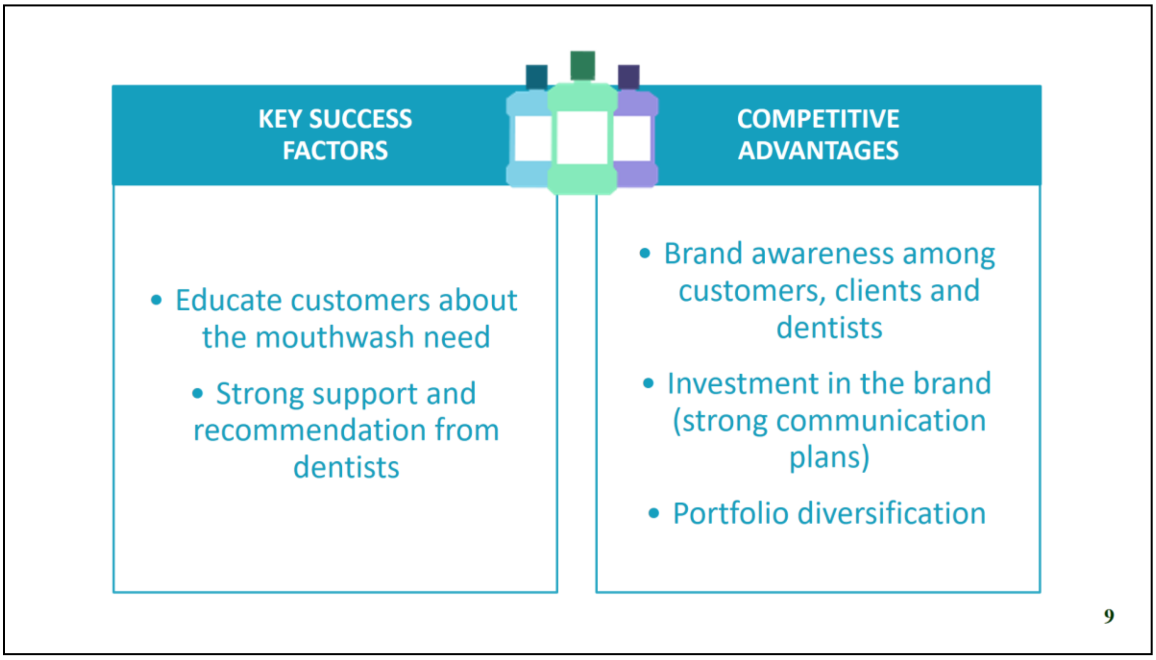

2 | CASE STUDY CONTEXT
WHAT IS THE REALITY TODAY ?
MOUTHWASH CATEGORY & LISTERINE® SLOWED ITS GROWTH
HAS THE MARKET REACHED ITS MAXIMUM POTENTIAL?
IS IT POSSIBLE TO GROW AGAIN THIS CATEGORY?
WHAT ARE THE CHALLENGES FOR THE MARKET AND FOR THE PLAYERS ?
WHAT LESSONS SHOULD BE TAKEN FROM THE PAST?
LISTERINE
4

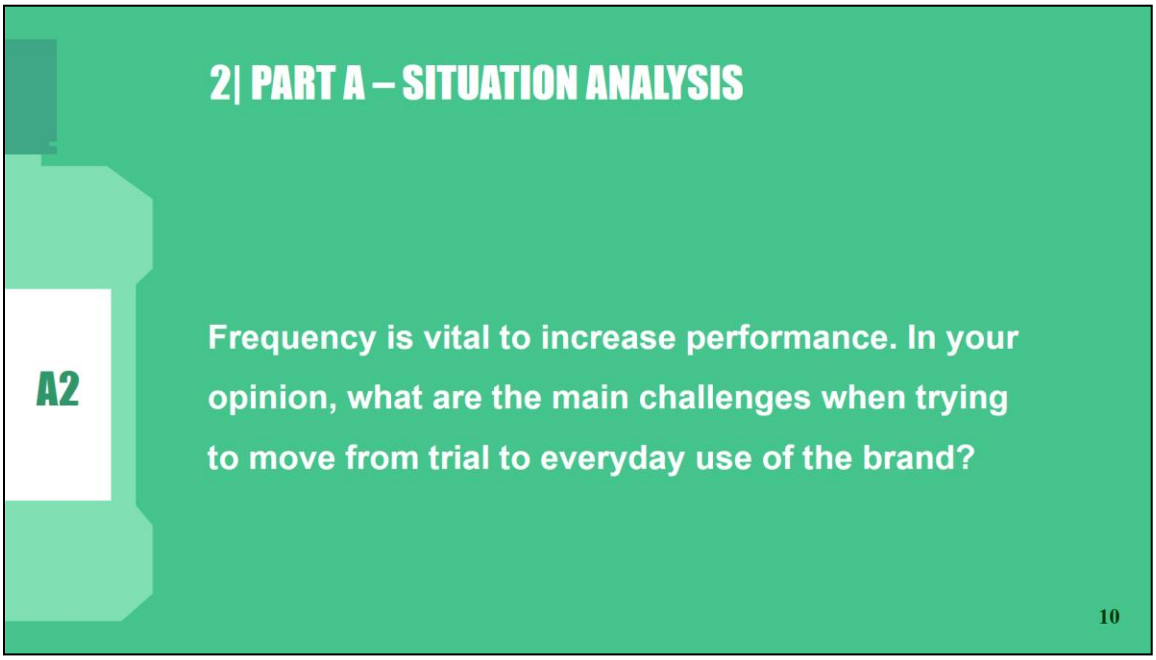

2 | CASE STUDY CONTEXT
WHAT IS THE REALITY TODAY ?
TODAY, LISTERINE® IS FACING THE SAME SCENARIO AND NOW THE BRAND NEEDS TO
INCREASE MARKET PENETRATION
INCREASE FREQUENCY OFUSE
... HOWEVER, TODAY THE SCENARIO IS MUCH MORE CHALLENGING!
LISTERINE
5


2 | CASE STUDY CONTEXT
THE IMPORTANCE OF
CUSTOMER ACQUISITION, EDUCATION
AND RETENTION
TO LEVERAGE PERFORMANCE
6


2 | PART A – SITUATION ANALYSIS
A1
Classify Listerine® role in mouthwash category since its launch in the mass market. Identify the main points of its strategy and the key success factors for mouthwash products in the mouthwash category and Listerine® competitive advantage (s).
7


Since J&J launched the brand in the mass market, Listerine® has been the driver of the whole category working in 3 pillars:
LISTERINE®
1
EDUCATION
• The brand identified the issue of the category: mouthwash was not a step in the oral hygiene
• Listerine® created the need of using a mouthwash in the oral hygiene among customers
2
ACQUISITION
• Efforts in acquiring new customers to this need and category (increase penetration)
• Communication plans have been crucial as also the launch of new products to address different needs and reach new segments
3
RETENTION
• Strategies to guarantee that the slice of new customers is higher than the lost ones every year
• Listerine® is having difficult here mainly due to the promotional dynamic of this market
8


KEY SUCCESS FACTORS
• Educate customers about the mouthwash need
• Strong support and recommendation from dentists
COMPETITIVE ADVANTAGES
• Brand awareness among customers, clients and dentists
• Investment in the brand (strong communication plans)
• Portfolio diversification
9


2| PART A – SITUATION ANALYSIS
A2
Frequency is vital to increase performance. In your opinion, what are the main challenges when trying to move from trial to everyday use of the brand?
10

**BRUSHING IS NOT ENOUGH**

- Brushing is the standard for cleaning
- Listerine® needs to continue to make a positive cause for using a mouthwash as a complement highlighting the therapeutic benefits beyond brushing

**FRESH BREATH IS A FALSE FRIEND**

- Many people can use Listerine® exclusively for fresh breath
- This stigma associated the brand with an embarrassing problem rather than with a good health
- Listerine® wants to have a positive image and impact

11

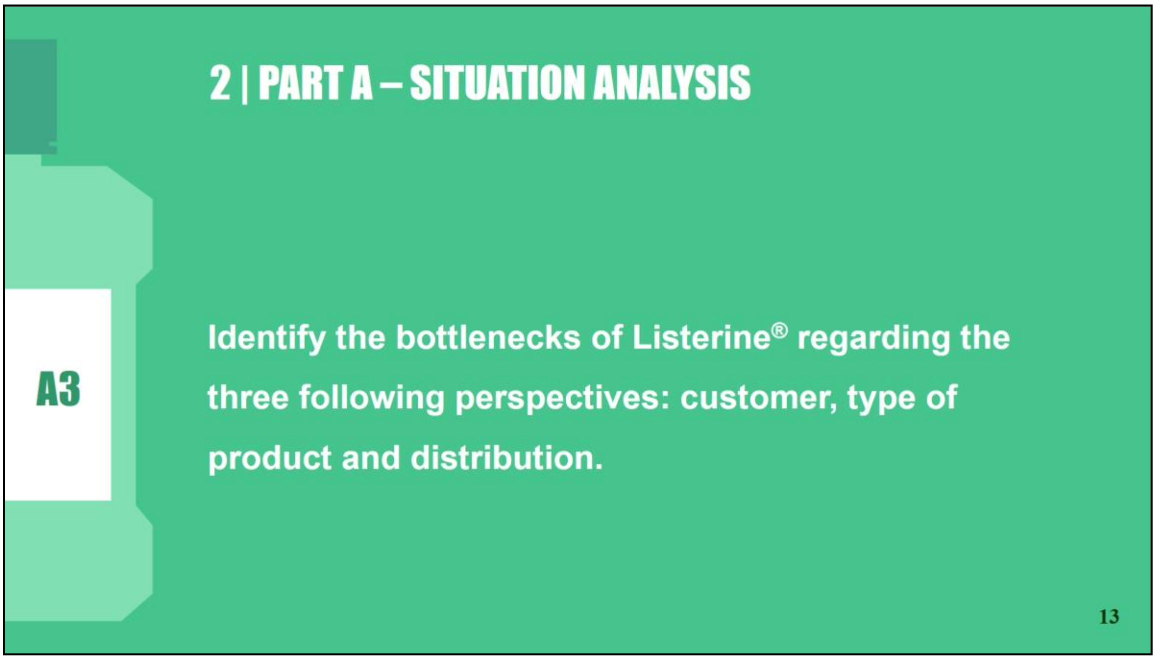

**LISTERINE® BURN**

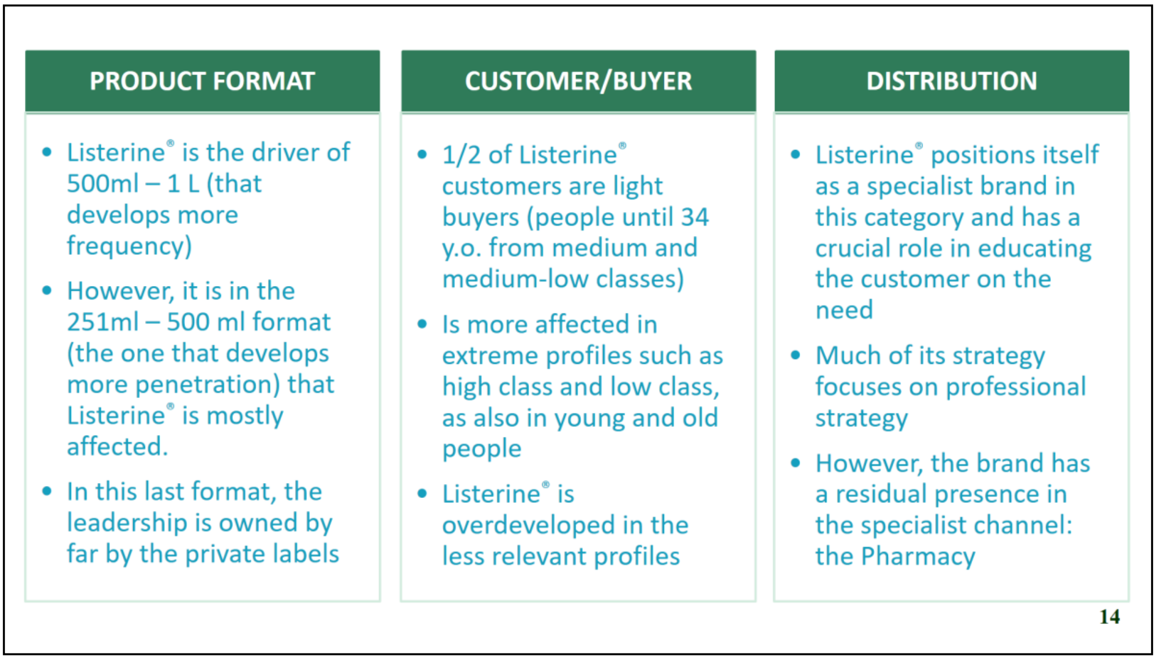
- The brand is perceived as the "feel the burn"
- Some customers view this sensation as too powerful and its taste to strong
- The brand needs to utilize this perceived weakness and turn it into strength

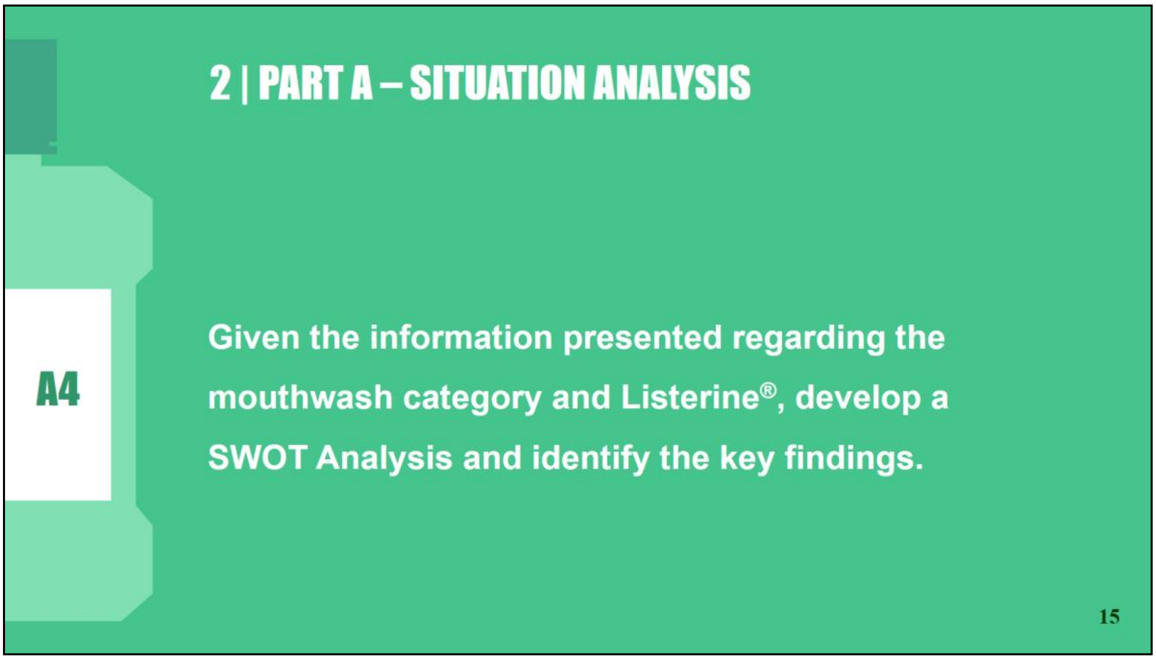

**HABITUATION**

- Healthy habits normally became part of people's character
- For those in the population that did not grow up with Listerine®, how can the brand normalize its use?

12


2 | PART A – SITUATION ANALYSIS
A3
Identify the bottlenecks of Listerine® regarding the three following perspectives: customer, type of product and distribution.
13

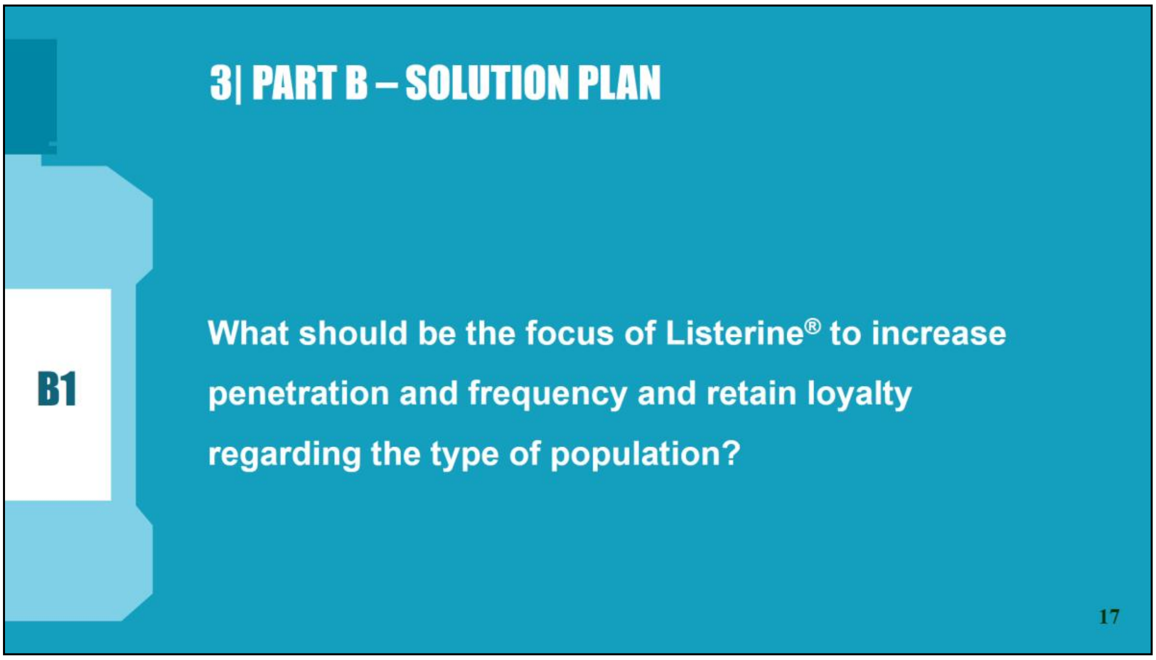

PRODUCT FORMAT
Listerine® is the driver of 500ml – 1 L (that develops more frequency)
However, it is in the 251ml – 500 ml format (the one that develops more penetration) that Listerine® is mostly affected.
In this last format, the leadership is owned by far by the private labels
CUSTOMER/BUYER
1/2 of Listerine® customers are light buyers (people until 34 y.o. from medium and medium-low classes)
Is more affected in extreme profiles such as high class and low class, as also in young and old people
Listerine® is overdeveloped in the less relevant profiles
DISTRIBUTION
Listerine® positions itself as a specialist brand in this category and has a crucial role in educating the customer on the need
Much of its strategy focuses on professional strategy
However, the brand has a residual presence in the specialist channel: the Pharmacy
14




| STRENGTHS | WEAKNESSES |
|---|---|
| • High brand awareness<br>• Best loyalty and customer base<br>• Brand heritage<br>• Advertising power | • Performance affected by extreme profiles<br>• Losing contacts with customers<br>• Bad performance in middle format<br>• Special testing flavour |
| **OPPORTUNITIES** | **THREATS** |
| • Growth potential in some clients<br>• Young people and middle-class opportunities<br>• Potential to growth the mouthwash category<br>• Strong sense of health | • Category is losing frequency<br>• The necessity of mouthwash is more difficult for customers to understand<br>• Promotional dynamic of mass market<br>• Customers have little emotional connection to mouthwash products |

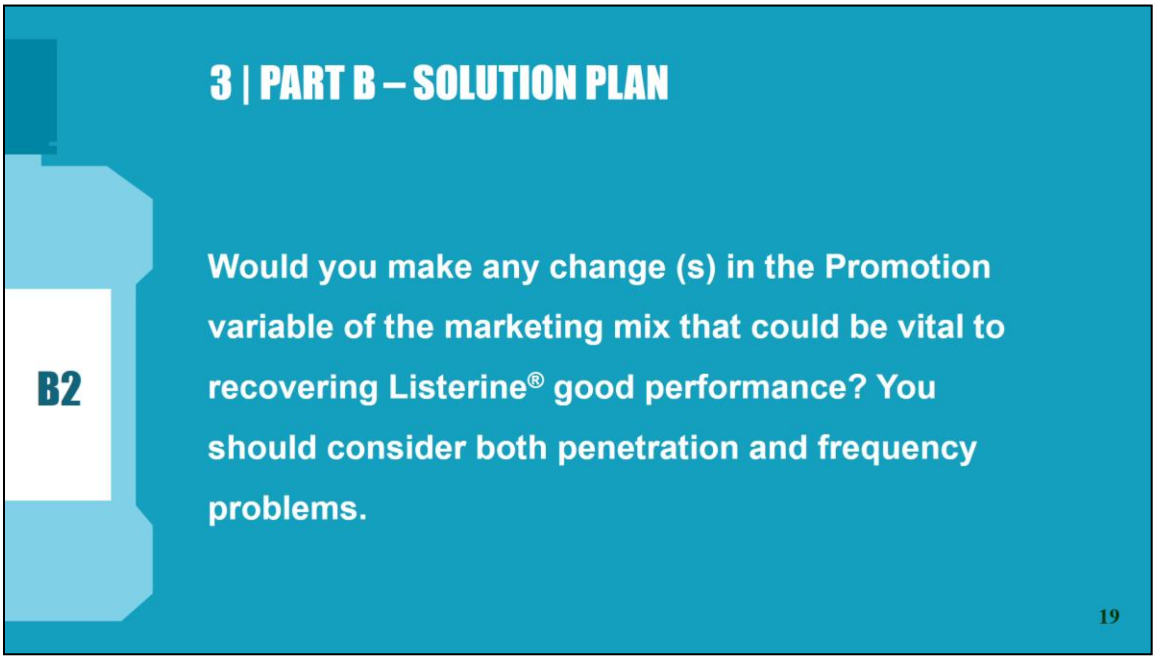
LISTERINE

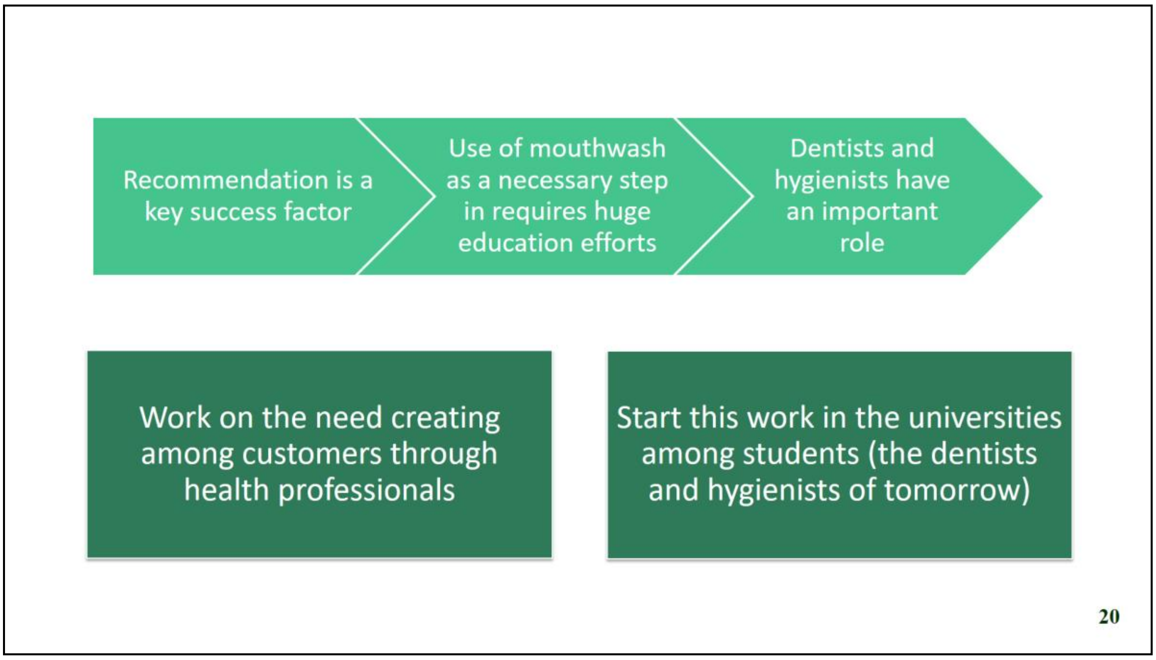
16

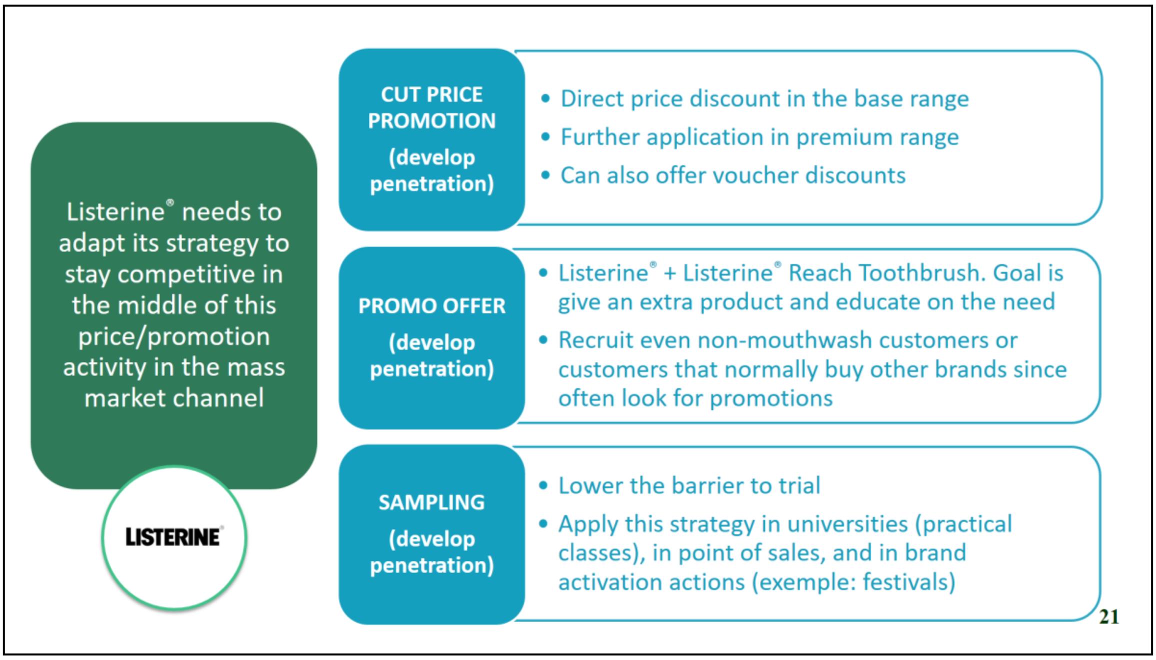


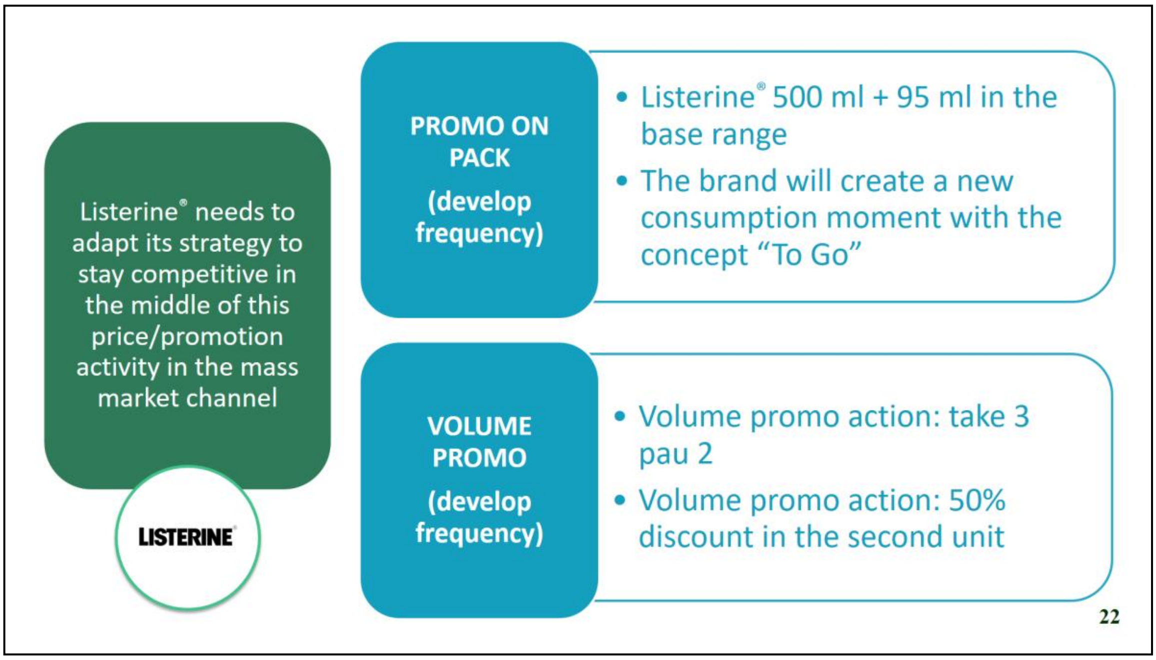

| Population | | | Objective | Actions | |
|---|---|---|---|---|---|
| Population | 70% Non-Mouthwash Customers | | Increase Penetration | - Dentists Recommendation: "if my dentists tell me to use it I will do it."<br>- Disruptively Educational TVC: 70% of decision made at home + to the right target<br>- Innovation: for uncovered need state<br>- No Alcohol Range: diverse of people do not use Listerine® for this reason<br>- Attractive Price: 500 ml to bring innovation on good tier and/or review pricing & 250 ml as a penetration driver with a better price (example 20% price promotion) | **Portfolio Strategy:** to help differentiate the products and increase purchase intent |
| | 30% Mouthwash Customers | 10% Listerine® Customers | Retain Loyalty & Increase Frequency | - Recall TVC<br>- Innovation<br>- Promo & Visibility | |
| | | 20% Competitors Customers | Switch from Competitors | - Price & Promo<br>- Superiority TVC<br>- Superiority Claim on Pack<br>- No Alcohol Range | |

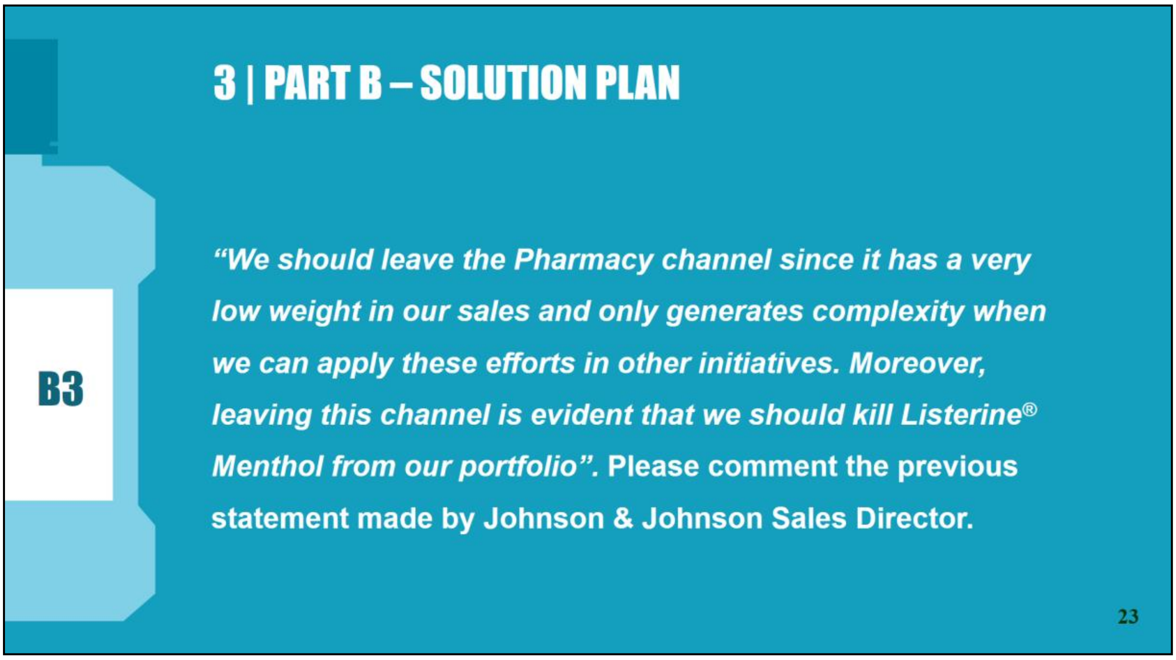
18

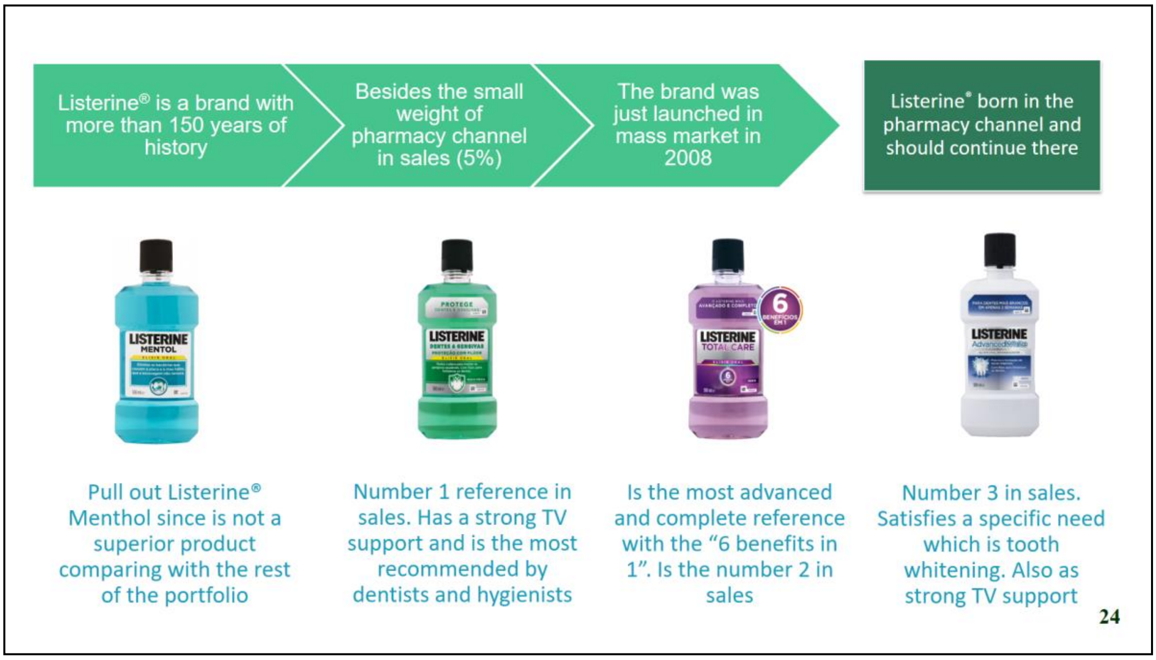

3 | PART B – SOLUTION PLAN
B2
Would you make any change (s) in the Promotion variable of the marketing mix that could be vital to recovering Listerine® good performance? You should consider both penetration and frequency problems.
19


Recommendation is a key success factor
Use of mouthwash as a necessary step in requires huge education efforts
Dentists and hygienists have an important role
Work on the need creating among customers through health professionals
Start this work in the universities among students (the dentists and hygienists of tomorrow)
20

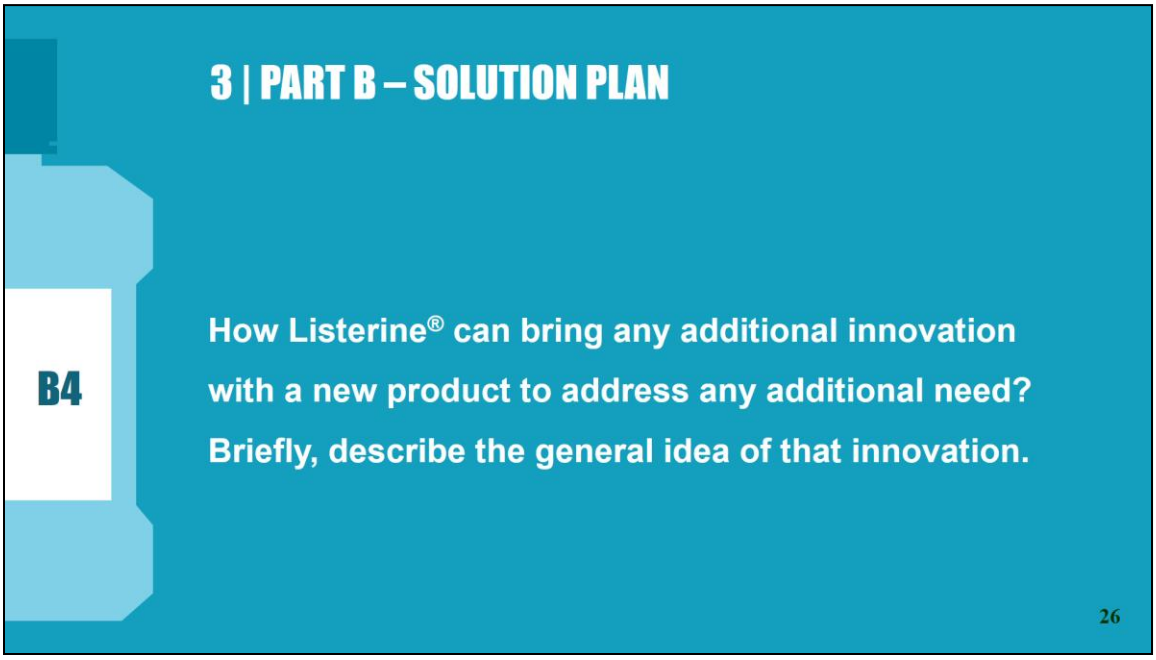

Listerine® needs to adapt its strategy to stay competitive in the middle of this price/promotion activity in the mass market channel
LISTERINE
CUT PRICE PROMOTION
(develop penetration)
• Direct price discount in the base range
• Further application in premium range
• Can also offer voucher discounts
PROMO OFFER
(develop penetration)
• Listerine® + Listerine® Reach Toothbrush. Goal is give an extra product and educate on the need
• Recruit even non-mouthwash customers or customers that normally buy other brands since often look for promotions
SAMPLING
(develop penetration)
• Lower the barrier to trial
• Apply this strategy in universities (practical classes), in point of sales, and in brand activation actions (exemple: festivals)
21

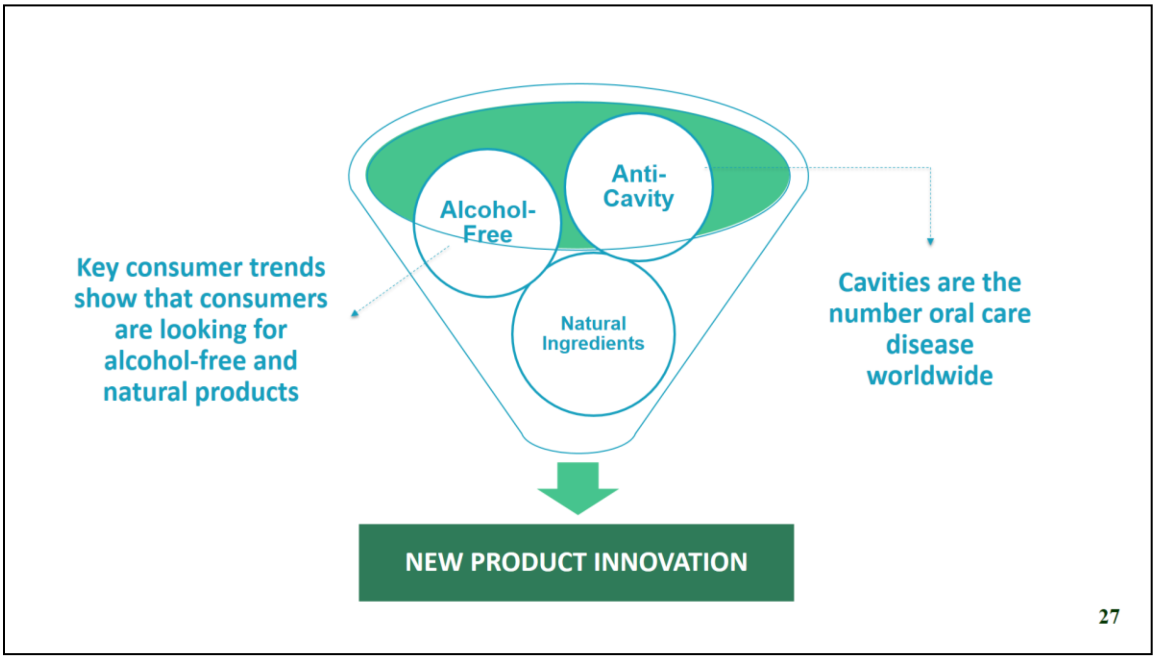

Listerine® needs to adapt its strategy to stay competitive in the middle of this price/promotion activity in the mass market channel
LISTERINE
PROMO ON PACK
(develop frequency)
• Listerine® 500 ml + 95 ml in the base range
• The brand will create a new consumption moment with the concept "To Go"
VOLUME PROMO
(develop frequency)
• Volume promo action: take 3 pau 2
• Volume promo action: 50% discount in the second unit
22


3 | PART B – SOLUTION PLAN
B3
"We should leave the Pharmacy channel since it has a very low weight in our sales and only generates complexity when we can apply these efforts in other initiatives. Moreover, leaving this channel is evident that we should kill Listerine® Menthol from our portfolio". Please comment the previous statement made by Johnson & Johnson Sales Director.
23


Listerine® is a brand with more than 150 years of history
Besides the small weight of pharmacy channel in sales (5%)
The brand was just launched in mass market in 2008
Listerine® born in the pharmacy channel and should continue there
Pull out Listerine® Menthol since is not a superior product comparing with the rest of the portfolio
Number 1 reference in sales. Has a strong TV support and is the most recommended by dentists and hygienists
Is the most advanced and complete reference with the "6 benefits in 1". Is the number 2 in sales
Number 3 in sales. Satisfies a specific need which is tooth whitening. Also as strong TV support
24


Until now, the pharmacy had just one reference
Start to sell all these formats to the pharmacy will add some complexity
J&J should think in a solution in order to simplify and create value
Development of a promotional prepack that put all this 3 formats together
PROMOTIONAL DYNAMIC:
On the purchase of a Listerine® 500 ml packaging the consumer receives an offer of a Listerine® Reach Toothbrush
LISTERINE
ATREVE-TE
E MORDE A VIDA
OFERTA ESCOVA
LISTERINE
LIMPA 3X MAIS DO QUE APENAS A ESCOVAGEM
25


3 | PART B – SOLUTION PLAN
B4
How Listerine® can bring any additional innovation with a new product to address any additional need? Briefly, describe the general idea of that innovation.
26




| POSITIONING | PRICE STRATEGY | TARGET AUDIENCE | FORMULA & FORMATS |
|---|---|---|---|
| First anti-cavities alcohol-free with natural ingredients focused variant in Listerine® range | Premium price range positioning<br><br>Green Tea is a unique format that specially targets cavity | Non-mouthwash users.<br><br>A target that is known as active, energetic, social and concerned with their health and how they present themselves, attracted by natural ingredients based products | Green Tea extract, alcohol-free, 220 ppm fluoride (proven to reduce the incidence of dental caries)<br><br>Has a less intense taste. Formats: 250 ml, 500 ml and 95 ml (to drive trial in the beginning) |

28


LISTERINE
green tea
MOUTHWASH
CAVITIES
TELEVISION
DIGITAL
KEY CLAIMS:
1 – Extra Cavity Prevention
2 – Natural Green Tea Extracts
3 – Zero Alcohol
LISTERINE
LISTERINE
POINT OF SALES
29

## 2.9. Management Lessons

After several years of excellent performance, the mouthwash category is going through a difficult moment. This negative trend is mainly justified by two main indicators as described during the case: penetration and frequency of use.

The volume definition of a product is a very simple equation which will always be the result of trial multiplied by frequency. This means, that the volume is originated by the experimentation and, among the customers that try, how many repeat that purchase.

It is clear that the penetration concept directly influences the trial variable since it gives the number of homes that buy a specific product in a certain period (including actual and new customers). Here, in order to influence and increase the penetration rate, all the efforts to attract new customers are very important.

Further, we have the frequency challenge. We know that the customer can have the product at home but the problem and challenge comes when the product ends and the customer has to start a new cycle of purchase.

These two concepts, frequency and penetration, must go hand in hand and be worked together in order for any company to be successful. For instance, in the past, Listerine® has made a huge effort while developing the two concepts.

Customer Education was the key and the beginning for everything. As we have seen in this case, the Portuguese customer still needs to be educated on this need. Here, it is crucial to work through the health care professionals. Further, companies should think about Customer Acquisition by creating new ways to communicate with potential customers and create moments to lower the barrier of the product trial (for instance sampling or cut price promotion). And last but not the least, it is also very important to Customer Retention efforts. In this last point, increase frequency is the key (which can be done for example through volume promo or promo offer).

To conclude, it is important to always keep in mind that building strong brands and growing the market requires continuous work. Here educating, attracting and retaining are the words that should always be on an organizations agenda.

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