

brand strategy

MAY 2005 ISSUE 192

STRATEGIC THINKING FOR TODAY'S MARKETING PROFESSIONAL

AOL's first lady

An interview with Karen Thomson, chairman AOL UK.

Disposing of the competition

Pampers is the world's largest nappy brand but can it keep growing in a saturated market?

Japanese cool

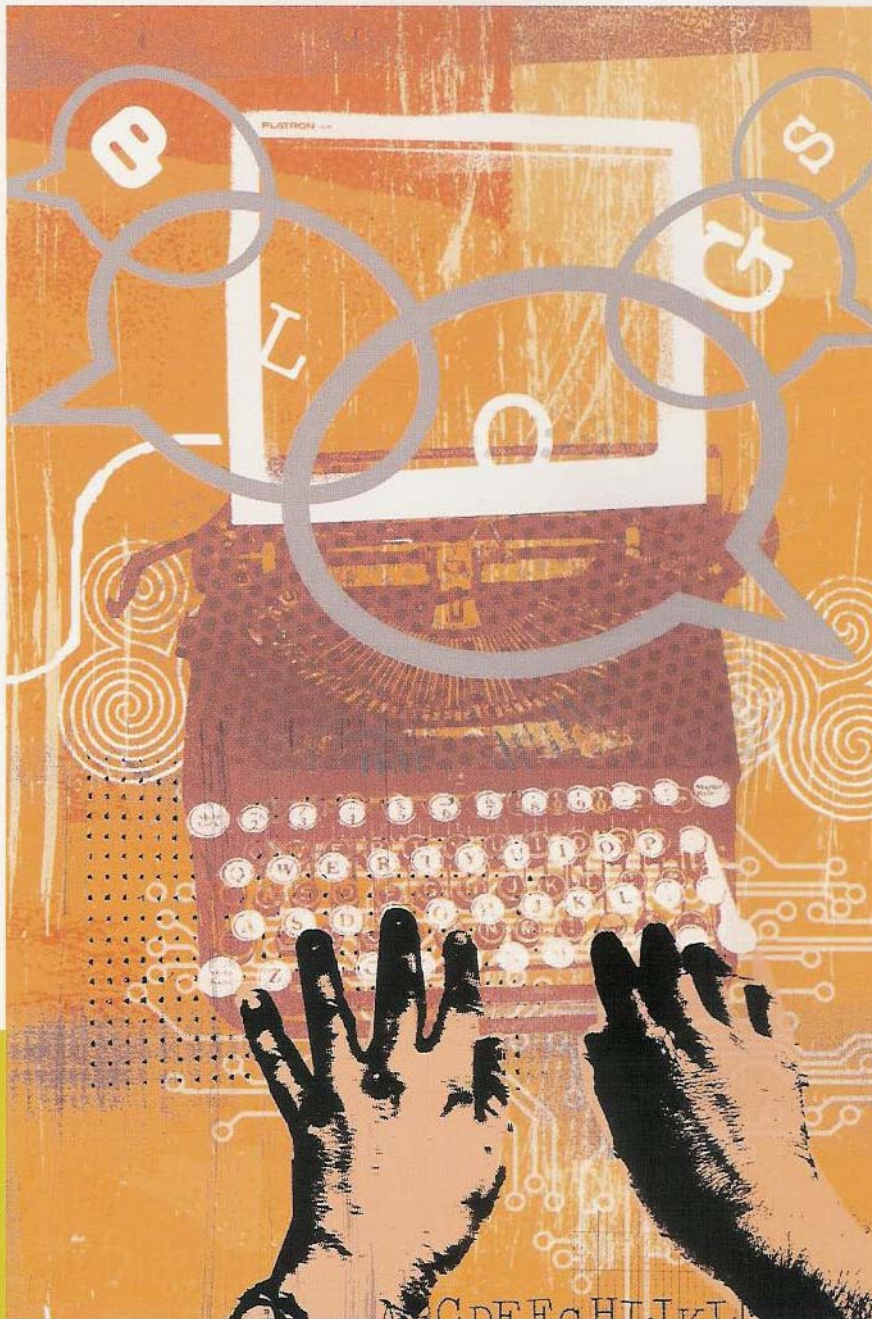
A new generation of young consumers is redefining traditional life.

India's complexity

One billion Indian consumers should not be lumped together.

DEAR DIARY:

Consumers have spiralling control of media and brands. Why blogs are worth watching.



Absorbing market share

Pampers carries values of trust and quality as global brand leader but can it overtake Huggies in the US? And how will it address consumers' environmental concerns? Ruth Mortimer reports

Rap band The Nappies released their first and only song last year. Chris Martin, singer with the band Coldplay, formed the spoof group to record a tribute to his pregnant wife, actress Gwyneth Paltrow. Martin promises: "I'll be there with you, baby, through the thin and thick. I'm gonna clean up all the poo and the sick..."

Now nappy brand Pampers wants to offer parents exactly the same service. The brand is keen to become a one-stop-shop for pregnancy and parent-hood supplies, support and advice. It no longer focuses purely on babies but has expanded into targeting both pregnant women and older children.



The global nappy or diaper industry is worth around \$20bn (£10.9bn), according to Euromonitor. It is a mature sector with flat sales in developed regions. The market is dominated by two major global brands: Procter & Gamble's Pampers with around 31.5% share and Kimberly-Clark's Huggies with 22.3%.

Pampers is arguably P&G's strongest brand. It achieved a turnover of \$5bn (£2.64bn) last year, the first business within the company to do so. It is the largest nappy brand in the world. But intense rivalry and declining birth rates means that Pampers must constantly refresh its sub-brands and offer extra benefits to stay relevant.

"The consumer is the boss," says Yannis Artinos, marketing director of baby and toddler care for Western Europe at P&G. "We need to act globally,

because we are a global company, but we need to design programmes which speak to the hearts and minds of consumers in specific markets."

Think global, act local

Pampers is available in more than 20 markets around the world. The brand's core strategy – seeing the world through the eyes of a baby – has been adopted across the globe.

Jenny Ashmore, marketing director for baby care and family care in the UK and Ireland at P&G, says it is not uncommon for global strategy to come from the European division. Pampers claims that it has a higher market share in Western Europe than the global average, with 54.4% market share as opposed to Huggies' 13.4%.

"We also teamed up with baby car seat manufacturers, which was then done in the US and Japan. It was an idea from an assistant brand manager here in the UK," elaborates Ashmore.

Pampers has even created a £7m mobile experiential version of its philosophy called 'World Of Babies' which has recently appeared in Sweden, Greece and the UK. The event takes people through different stages of child development. It features rooms that mimic babies' and toddlers' difficulties in everyday life.

"It's a good way of communicating its better understanding of babies and quality products without being scientists in white coats," comments Dorothy Mackenzie, chairman of Dragon brand agency, which works with SCA, owners of the European Libero nappy brand.

A similar mobile event – Inspired By Babies – has also taken place in the US. But Pampers is satisfied that while themes and strategy can cross borders, the details of the brand should be tailored to local tastes as much as possible.

"One of the diseases in the past for all FMCG brands has been to globalise. We do consumer research across every country that allows us to tweak and change the ideas to suit local tastes,"

KEY LEARNINGS

- **Pampers' consumer feedback directly affects the brand's new product development. Encourage your customers to talk back to you so you can meet their needs.**
- **Pampers has stretched its brand from babies to toddlers, creating a £20m industry. Does your brand have the authority to move into related areas?**
- **Be honest if your brand has environmental limitations. Explain to consumers how you are trying to remedy this problem.**
- **Experiential marketing can bring the brand to life. Try using this technique to build loyalty among consumers.**

Pampers European Market Share (Value %)

Country	Past 12 months	Index v 1yr ago	Latest (Feb 05)
UK	60.6	107	62.0 (high)
Ireland	72.1	105	74.4 (high)
France	50.1	105	50.5
Sweden	35.1	98	28.2 (low)
Finland	40.2	96	41.7
Denmark	31.2	111	37.6 (high)
Norway	26.8	111	25.1
Italy	62.6	101	61.4
Spain	58.9	103	59.1
Portugal	74.5	102	76.6
Germany	45.8	106	48.2
Austria	72.3	102	72.4
Switzerland	54.4	108	61.5
Belgium	65.1	97	64.1
Holland	32.3	97	27.2
Greece	73.8	104	74.9

Source: Pampers



“One of the diseases in the past for all FMCG brands has been to globalise. We do consumer research across every country that allows us to tweak and change the ideas to suit local tastes.”

Robert Breare – Pampers

explains Robert Breare, European brand manager for baby and toddler care at P&G.

While World Of Babies may run across many European countries, it is not identical in each nation. Pampers' Artinos claims that P&G employs a multicultural workforce to try and find the right balance. It also examines a representative sample of 1,800 babies each week in Europe.

This seems to be working. Barbie Clark, managing director of the Kids and Youth research agency, says that consumers see Pampers as a local brand. She adds: “It's telling that whenever we do market research with mums, they will always mention Pampers in terms of being a trusted, quality product. It has almost become a generic term for the leading brand.”

This may be because the Pampers' brand strategy is followed right down to the point of purchase. A slimmed down version of the World of Babies experience is currently touring UK supermarkets where arriving customers can walk through a 'caterpillar' showing different stages of baby development.

“This allows Pampers to get close to its consumer,” says Sharon Richey, managing director of brand experience agency LoewyBe, which organises the supermarket roadshows. “If we can create a good experience, then mothers will pass that on by word-of-mouth.”

From conception to cradle

Pampers also uses baby development in other areas of its marketing. The brand targets mothers from their earliest stages of pregnancy, giving out information

packs to women at their 12-week scan. Dragon's Mackenzie notes that the brand wants to sign up pregnant consumers earlier and earlier: “It's crucial that it builds relationships with hospitals and gets into these packs. Pampers needs to be seen as a voice of a friend throughout the process.”

The relationship with mothers is backed up after birth by the Pampers Institute. This is a network of childcare advisers working internationally and locally that includes Professor Annette Karmiloff-Smith at the Institute of Child Health in London.

“We are a baby and toddler care company but that doesn't give us the right to look at every area of child development and psychology. The Institute gives us a third party source for the latest learnings about babies. We can combine that with our consumer understanding and pass it on in a more easily understandable way,” explains Pampers' Breare.

The Institute allows parents to ask questions about their children as well as sending an appropriate email newsletter at each stage of development. Pampers claims that its direct mail reaches 95% of the UK's new mums around four to five times a year and that it is one of the brand's most important marketing tools.

Cathy O'Donnell, senior planner with babies and kids agency Logistix, agrees that Pampers' direct mailings are high value. “If you join up when you're pregnant, you periodically get items such as a CD demonstrating what your child can hear in the womb. It's not junk mail when it hits the spot like that.”

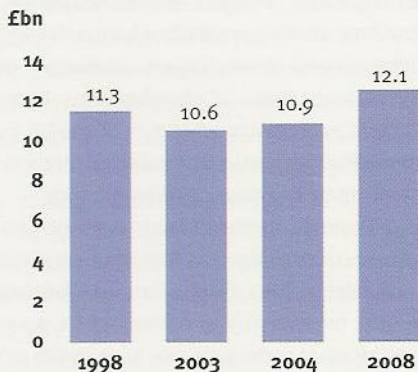
The Pampers website is another important mar-

PAMPERS TIMELINE

- 1950s** Vic Mills, a Procter & Gamble employee, wants to find a better way to keep his baby grandson in nappies. He develops one of the earliest disposable nappies. The brand is called Pampers.
- 1961** Initial consumer tests for Pampers prove unsuccessful but P&G soon improve the design and lower the cost. The new nappies are a hit.
- 1968** Kimberley-Clark begins test marketing its Huggies brand in America.
- 1969** Pampers completes its national US expansion. Production starts in Manchester, UK.
- 1970s** Pampers replaces its safety pin with tape to make the nappies safer for parents and babies. It also extended its range to products such as Toddler Size and Premature Infant Size. The brand is extended into Japan.
- 1973** Pampers is launched in Europe.
- 1980s** Pampers introduces value packs and other product innovations such as refastening tabs, absorbent gel material and elastic leg gathers.
- 1985** Huggies becomes market leader in the US.
- 1993** Pampers' baby wipes brand extension launched in Europe.
- 2002** Launch of Pampers Kandoo range for toilet-training toddlers in Europe.
- 2005** Kandoo is rolled out to the US and further within Europe. Pampers is global market leader in the nappy market.



World nappy market size (historic/forecast)



Source: Euromonitor/Nonwovens Industry

keting channel. It receives 650,000 unique visitors across Europe, with around 200,000 users in the UK. This is similar to other parental websites, such as the UK's BabyWorld, which receives 235,000 monthly unique users. Pampers' site has a dedicated pregnancy section where expecting parents can explore how to prepare for the birth. It then offers advice on child development.

The site is used in most of the markets where Pampers is present – from Argentina to the UK. It comes in languages from Spanish to Japanese but the content is very similar. Pampers' Artinos says it is most often used in very developed markets such as northern Europe, where internet use is common.

Pampers' Ashmore adds: "It's one of the key ways to get information to mothers as they can access it at any time. More people actually access it between 2-3am than other times. You can't necessarily pick up the phone to ask a friend's advice at 2am."

Pampers' focus on staying in touch with parents throughout their child's early years has also affected the brand's new product development. The brand launched its £20m Kandoo range for potty training in 2002 in the UK. It is now being slowly introduced throughout Europe and the US.

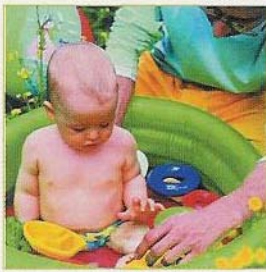
Logistix's O'Donnell suggests that moving into this area is important for Pampers because the older child is traditionally the preserve of its competitor Huggies. "Huggies has a more adventurous image. It does well in pull-ups and trainer pants. It appears to be about helping your child be independent and move away from you. Pampers is for mums and babies in arms whereas Huggies is for kids."

Huggies is Pampers' closest competitor. It runs similar initiatives such as the Huggies Club, which provides information and support to parents. "We use a number of tactics to gain insight into consumer thoughts, views and behaviour and we then use these to drive innovation and bring products into the market that make a genuine difference to people's lives," claims Huggies spokesperson Camilla Wrey.

Although Pampers is global brand leader, Huggies has an estimated 43% share of the US market while Pampers retains 31%. A fierce price war has seen Pampers close the gap but it still needs to regain market share in one of the world's largest countries.

Disposable branding

There are other areas where Pampers needs to improve its brand. The disposable nappy industry has always been criticised for its environmental impact. Landfill rubbish sites are filling up as nappies do not biodegrade. An estimated 18 billion nappies are



Marketing stills from left to right; and far right, an experience from a toddler's point of view at Pampers World of Babies

thrown away every year in the US alone.

"This is going to be a very big issue. I think there is already concern among many middle-class, relatively high income mothers. They may not be the norm but it is a very strong movement already," predicts Kids and Youth's Clark.

There are some international reusable nappy brands on the market, including Canadian company Mother-ease and European brand Bambino Mio. Both are sold in a number of countries. The most common reusable product is a cotton nappy shaped like a disposable version and combined with a biodegradable liner.

Pampers' Ashmore points out that all nappies have an environmental impact in some way, whether through landfill sites or when washing nappies in water and electricity that comes from non-renewable energy sources. She says that her brand is happy to provide consumers with the facts and let them make their own choices.

Artinos adds: "I think it's very clear that our commitment as a company to the environment is relentless. Over the last 15 years, we've made specific technological interventions and reduced the weight of nappies by more than 30%. Our manufacturing uses 12% less energy and nearly 60% less water. We also use more recycled fibres in our packaging. It's very much top of mind."

This does not convince Dragon's Mackenzie, who points out that inflicting environmental damage creates a bad feeling for parents. She says that whenever there is a consumer need that isn't being met, there is a major market opportunity for other brands to capitalise on it.

Logistix's O'Donnell agrees: "The brand that makes the first really biodegradable disposable nappy will clean up. It's something that the brands need to try and do but I assume it must be very difficult. These companies owe it to the world to dig deep in their own pocket and create it."

Innovation is certainly a key issue for Pampers' future. Kids and Youth's Clark claims that the brand needs to stay ahead of not only Huggies but also the

encroaching threat of own-brand supermarket nappies, which are cheap and high quality.

Pampers' Breare agrees. "Our biggest challenge is that we've had some very successful years, so we need to keep on innovating at the same pace and keep the hunger there to do that effectively."

Saturation point

Staying ahead of other manufacturers isn't the brand's only concern. It also needs to expand quickly into emerging consumer groups and countries as its more mature markets approach saturation. The brand has no presence in Australasia and rising incomes in Eastern Europe make that region attractive. P&G also spent around \$169.8m (£90m) in 2003 targeting Latino Americans, according to the Association of Hispanic Advertising Agencies.

This group comprises 12.5% of the US population, according to the US census and it will rise to 25% by 2050. Many Hispanics are practising Catholics, which means higher birth rates and this demographic has rising incomes. P&G has produced TV ads in both English and Spanish since 1961 and new mothers are often given free Pampers samples as they leave hospital.

In 2002, Pampers also began an initiative called *Asi Debo Crecer* (As I Grow). This educates new parents about critical child development milestones. Since 2000, the brand's share with Hispanics has increased by 25%. "We want the brand to be present in more markets as the world expands and different areas open up," explains Artinos.

But Pampers' Breare is convinced that the brand already understands how to proceed in any global region. He says that both expansion and innovation stem from listening to the consumer research and feedback above anything else. Customers are the most important source for the brand's future.

"They are the strategy and they're telling us what to do. You can be sitting in a room with top management here and it doesn't matter how lowly you are – if you have consumer insights to offer, everyone listens to you. That's what guides all our decisions. ■