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Package-Good Players Plan New-Product Surge for 2010

After Hunkering Down in '09, Companies Show Signs of Going on Offense

By [Jack Neff](#)
 Published: [December 07, 2009](#)



BATAVIA, Ohio (AdAge.com) -- Package-goods marketers are promising bigger, better and more plentiful innovation and new products in 2010 than 2009, a year in which many brands hunkered down in the face of recession.

Titans Procter & Gamble Co., Reckitt Benckiser, Kimberly-Clark Corp., Energizer Holdings and Unilever have all said or implied that they expect to step up new-product activity, and by extension marketing support, in 2010.

They'll need to do something. U.S. household and personal-care marketers have seen flat to down volumes this year, getting most of their dollar sales gains last month from products related to the H1N1 virus. But the flu vaccine seems to be working and therefore putting a damper on sales: Walgreens last week reported November sales were hurt in part due to a slowing of cough-cold medicine sales.

Signs of a 2010 new-product surge include a rebound in concept testing and a pickup in new packaging orders. But plenty of doubts remain. Some retailers haven't noticed much of a new-product onslaught -- at least yet. "I haven't seen a whole lot at this point," said a health-and-beauty buyer for a drug chain. A grocery/household products buyer said he's seeing more reductions in underperforming items and products than new product launches, and no indications of a pickup in new-product activity at least for the first quarter -- beyond private label.

Even so, there are unmistakable signs of a step-up in branded new-product activity. Nielsen's Bases, the dominant player in concept testing for the industry, proved a pretty accurate gauge of this year's marketing activity when its sales tanked in the third quarter of last year. This year, Bases sales are sharply rebounding. "It is the one encouraging side of the quarter," said Nielsen Chief Financial Officer Brian West on a Nov. 12 conference call. "We're actually starting to see more clients starting to spend more of their discretionary market-research dollars in that [new product] pipeline."

For most of the past year up to now, he said, they've focused more on defensive research, such as analyzing the impact of price changes.

Clues in packaging

Schawk, a publicly held company that handles pre-press and package design service for a large part of the package-goods industry, also is seeing signs of a turnaround, though not nearly as robust as Bases'. Since Schawk's work comes closer to launch time than Bases', the results may signal an uptick in product launches that won't come until later in 2010.

Schawk's packaging-related sales were still down year over year last quarter, but they've been improving sequentially, both quarter to quarter and month to month, over recent quarters.

A slowdown in new products and marketing by brand marketers helped fuel growth of private label this year, said Schawk Chief Operating Officer Alex Sarkisian on a Nov. 10 earnings call, leading Schawk to shift focus toward retailer private-label programs. "Now," he said, "we see that there is a bounce-back coming the other way, where the CPGs don't like to lose market share very much, so they're coming forward with some of the new products that frankly they have been holding back on."

P&G has been perhaps the most forthright in promising more innovation for 2010, if less forthright in offering details. Its executives have said the fiscal year started July 1 could be its biggest in a decade, though the innovation and accompanying marketing spending are back-loaded into the January-to-June period.

In a Nov. 20 investor presentation, P&G Chief Financial Officer Jon Moeller said the company will increase "media impressions" by at least 10% for the fiscal year, which isn't that ambitious given that it comes in comparison to a year when the company slashed global ad spending 13% to \$7.6 billion.

Too much skepticism

But Deutsche Bank analyst Bill Schmitz believes Mr. Moeller may be low-balling the projection and thinks retailers unimpressed by what they've seen of the industry's 2010 offerings may be off-track or overly skeptical.

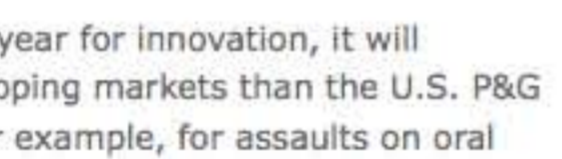
Many of the innovations of years past that had more of a gee-whiz factor, such as home dry-cleaning kits, turned out to be flops, he said, and lack of such talk-worthy products doesn't necessarily mean companies don't have strong innovation pipelines.

Among other things, 2010 could see a heating up in the diaper wars between P&G and Kimberly-Clark Corp. The latter's CMO, Tony Palmer, earlier this year projected stepped-up innovation in 2010 that would likely result in stepped-up TV advertising, though he declined to elaborate. The former is coming out with a substantial improvement to Pampers in March that's 20% thinner, according to a report last week by Goldman Sachs. A K-C spokesman said his company will likely increase innovation and marketing support in 2010, but it's more focused on categories other than diapers.

Energizer's Schick appears poised to launch a new shaving system early next year, Mr. Schmitz said. That's the linchpin in an accelerated innovation pipeline he expects to produce a 26%, or \$108 million, increase in global ad spending to more than \$500 million.

U.S.-based consumer-package goods marketers generally are relatively flush with cash, facing lower commodity costs and increased margin flexibility thanks to the effects of a weaker dollar. Those factors, combined with new P&G CEO Bob McDonald staking his reputation on a vow to take back market share, should make for more vigorous industry new-product competition this year, he said.

But while 2010 may be a bigger year for innovation, it will probably be a lot bigger in developing markets than the U.S. P&G has targeted Brazil and India, for example, for assaults on oral care, laundry and skin-care markets largely dominated by Colgate-Palmolive Co. and Unilever. One senior package-goods executive said, "Focus will be skewed toward developing markets, as this is where the main battles will be and it is actually easier to innovate, as a lot can be leveraged from what has been done elsewhere."



2 Comments

By [Rodney33](#) | FRISCO, TX [December 7, 2009 01:07:05 am](#):

Innovation is essential for CPG companies to bring forth more value and to hold their market share at retail.

Retail private labels have been gulping up turf that won't easily be given back.

Two advantages CPG's have over retail brands are innovation and branded voice.

Retail brands tend to lag and follow on innovation and rely on existing customer traffic and store fliers for their media vs. proactive media.

These two differences are beginning to change as retailers are getting savvy in marketing their private labels. These two intrinsic values are how CPG branded products differentiate themselves for consumers and retailers vs. private labels.

So, what are CPGers waiting for?

Slashing innovation and share of voice are only going to make their best customers more and more their best competitors.

We cover these topics on web site under Insights on our web site.

Rodney Mason, CMO
[www.mposylvania.com](#)
[www.twitter.com/rodmoose](#)
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By [Jimsweeney](#) | cleveland, OH [December 7, 2009 10:26:50 am](#):

Dear Moosehead, thank you once again for your useless insight and shameless self-promotion. Clearly through your eyes all roads lead to your web site.

At least have the good sensibility to make some meaningful point. Do you really think that consumers are about to abandon their favorite brands or worse, forget who they are? Do you really believe that the leading "CPGers" have stopped innovating? Did you forget that the retail brands you refer to are actually made by the brand name companies? Did you forget that some of these retailers and their house brands actually have a branded voice of their own (Walmart, Target, Kmart...)? Did you not see the research confirming that during difficult economic times consumers prefer house brands (price over innovation)?

Thanks for once again stating the obvious and assuring me that all the answers are at your web site.
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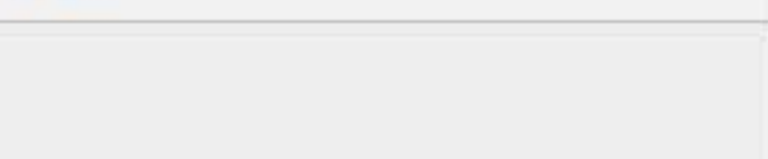


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