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## Why We Will Remember Tide Thursday

**P&G Expected to Trim Prices, Boost Ad Dollars to Fight Off Value Brands**

By [Jack Neff](#)  
 Published: [May 25, 2009](#)



BATAVIA, Ohio (AdAge.com) -- Analyst conferences are rarely exciting, but when P&G Chairman-CEO A.G. Lafley appears at one this week, some believe the near-term future of package-goods marketing -- and the long-term future of Procter & Gamble -- may hang in the balance.

### Tide by the numbers

**19%**  
 Percentage of Tide consumers who say they've traded down to value brands because of recession

**81%**  
 Percent of those Tide consumers who indicate they're likely to keep buying value brands after economy improves.

**2.4**  
 Percentage point loss of liquid detergent dollar share for Tide in 12 weeks ended April 18 in food, drug and non-Walmart mass outlets

**42.7%**  
 Tide's market share in liquid detergent

Source: *Consumer Edge Research*

Some are even billing the appearance as "Tide Thursday," a reference to "Marlboro Friday" in 1993, when Philip Morris, battered by value-brand incursions on its Marlboro brand, cut prices 20% and stepped up consumer marketing in a move that was ultimately copied by many in the consumer-goods industry, reshaping the way many marketers approached pricing and advertising.

Few people are expecting big across-the-board price cuts from P&G, a la Marlboro 16 years ago. But P&G faces a similar, if perhaps less dire, situation as the Marlboro Man did then: Volume is down a surprising 5% last quarter globally, and value brands or private labels are hurting some of its highly profitable franchises, including dollar share losses of two to three points in recent quarters in P&G's dominant U.S. laundry business.

Mr. Lafley is set to speak at the Sanford C. Bernstein conference in New York on May 28, and analysts believe the company will issue earnings guidance for its 2010 fiscal year (starting July 1) then, or slightly before. Heavy betting is that P&G will not only break from its usual pledge to grow earnings by double digits -- a promise it has made for nearly a decade now -- but actually signal considerably lower earnings next year, largely because it wants to beef up marketing spending and other investments toward long-term growth in the next decade.

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For Starters, Stop Thinking of Them as a Niche Demo

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## JONAH BLOOM

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## HOW TO WIN IN CHINA



That would also require substantial defensive spending by P&G. And he expects the company to launch either a Tide detergent or laundry additive to combat the success of Church & Dwight Co.'s OxiClean next year, too.



LAFLEY: Had committed to a decade of double-digit earnings growth.

All this added attention from P&G won't stop at laundry, either. Mr. Pecoriello and other analysts expect a U.S. restage of Pantene, the flagship of the company's \$9 billion global hair-care business, next year.

While recent initiatives such as a "Salon Secret" campaign comparing Pantene favorably to salon brands started reversing share losses late last year, Pantene still faces widespread reductions in product lineups and shelf space by major retailers. A restage has been in the works since last year, including a new design shop, WPP's Landor Associates, that is expected to launch sometime later this year or early next.

#### Final exam

Duracell, too, has been losing share, and one analyst believes it will get a major product launch starting later this year that could serve as a final exam as P&G decides whether to keep the brand.

Other wild cards include how much P&G will put into restructuring its business, already including a management streamlining for its beauty and grooming business, or whether it might still make its double-digit earnings numbers by selling one of its big brands that long have been considered divestiture candidates, such as Pringles or Braun.

Oddly, though, Wall Street expectations that P&G will pull back on earnings and sales guidance for next year has been sending its stock up in recent weeks, because they signal a more aggressive posture for the long term. Were Mr. Lafley next week to reaffirm a commitment to double-digit earnings growth he's delivered for nearly a decade, some analysts believe the short-term focus could actually disappoint investors and hurt the stock.

So the betting now by most analysts is that Mr. Lafley has given up on a once-cherished "deliver the decade" goal of delivering a full 10 years of double-digit earnings growth in favor of handing off a stronger P&G in the next decade to his ultimate successor, widely expected to be Chief Operating Officer Bob McDonald. Exactly how P&G signals its response to competitive pressures next week will be closely watched, too.

However much P&G devotes to price cuts -- permanent or temporary -- will determine how much is left over both for it, and competitors, to spend on advertising and other brand marketing in the year or years ahead.

"We think they're really going to take a look toward the long-term, where they're going to need to grow," Mr. Pecoriello said. "The idea that [earnings projections] have to come down is widely accepted. The question is where are they going to spend it."

#### 8 Comments



By Rodney33 | FRISCO, TX [May 25, 2009 11:29:34 pm](#):

Tide Thursday could have some impact on key consumer categories, but it's not going to be as significant as this article would indicate. Here's why;

Reality is price, positioning, and packaging are driven by

key account management. Market adjustments for key accounts are almost instantaneous, especially for big and important accounts for P&G and other large CPG companies.

Before the recession Wal-Mart had already pulled out all the stops to get P&G prices as low as possible, while still maintaining Tide and others as flagship attractor brands. The big grocery channel stores have been doing the same to grow their own private labels as they use leader brands to pull people into the store and then get them to switch to their private labels through better price incentives. They were doing so before the recession as they believe this to be necessary to survive.

But P&G has something that few other consumer packaged goods companies truly have, real, tangible, branded leadership and a solid portfolio of flanker brands. The flanker brands handle much of the dirty work, leveling the retailer price game playing field, to defend the lead brands.

This special leadership buys P&G time to stick to their values and to provide real added value for their retail partners who need them more than ever. There are only a few other brand portfolios, if any, that are sitting in this position.

That means, "Tide Thursday" already happens everyday on a regular real time basis and has been occurring for more than a few years.

Few if any other CPG companies are in the ideal position P&G is in, if they were, P&G would buy them or have a strategy to erode their share.

And while P&G may state they're going to lower their prices on some of their lead and secondary brands, many of those moves have already been made through key account planning, with the majority of price concessions falling on the flanker brands or through reconfigured leadership brand packaging that offers more favorable average SKU pricing, but provides less product in the select SKUs, to accelerate the buy cycle improved average cost per measured unit to recoup profits lost in declining share.

Rodney Mason, CMO  
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[Permalink](#)

By Rodney33 | FRISCO, TX [May 25, 2009 11:34:28 pm](#):

Correction in last sentence -

to accelerate the buy cycle and improve average cost per measured unit to recoup profits lost in declining share.

Rodney Mason, CMO  
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By doug | New York, NY [May 26, 2009 08:52:22 am](#):

Thank God they have finally decided to do something, it would have been smarter to do it last year. If they would have had marcomm strategies present to compete with "value" brands, via shelf talkers and messaging they conveyed the superiority of their brand, then they wouldn't be in position they have gotten into. Real estate on shelves should be priority, along with pricing modules. Let's hope their increase in marketing expenditures don't fall flat with bureaucrats dictating what Americans will buy without actually walking into a store and watching them in their natural habitat, a grocery store, where they will see that "value" brands are taking more shelf space and have in store build-ups and shelf talkers,

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By Phil | Evansville, IN [May 26, 2009 09:40:17 am](#):

I certainly appreciate the insights of Rodney33 from moosylvania. However, one of the many cards that marketers of fast moving consumer goods have to play are the level of promotions that a brand can demonstrate to a retailer are being pumped into the market -- to attract consumer traffic. "Value" is going to become even more important to consumers now -- in the new economic reality that is a reality for all debt-ridden consumers. The combination of decreased and increased promotion is perhaps, in the largest sense, the market force being applied to the market leaders. The double-move is a good move by P&G.

Once consumers are in the store, however, the choice is theirs. Packaging, then, becomes more important than it even is now. Private label packaging is increasing in design sense and perceived value at a greater rate in the past few years than any time in the last two decades.

The air cover of the battle is the promotion to consumers. The trenches are the perceived value once a consumer is faced with selection.

This "sharpening" of the swords should bode well for all designers of the in-store experience. Perceived value will be the determinant of the sales percentage of name brands versus private labels.

Phil Mowrey

Creative Director

DBD -- <http://www.dbd15.com>

[➤ Permalink](#)

By Phil | Evansville, IN [May 26, 2009 09:46:30 am](#):

Correcting a word omission to third sentence:  
"The combination of decreased [PRICES] and increased promotion is..."

[➤ Permalink](#)

By johnmorris | Toronto, ON [May 26, 2009 09:51:28 am](#):

This emperor.. let's check the clothes. Is laundry detergent a commodity? Does Tide offer the consumer anything to warrant a price differential? Are consumers savvy or led like sheep? Will shelf talkers solve this problem?

How about producing a better product - that's an idea. Then tell them about it effectively.

John Morris

Marcovitch Toronto

[➤ Permalink](#)

By bbridwell | Paris, IL [May 26, 2009 11:28:54 am](#):

Tide already seems to be the best in the category and has been for about 60 years.

The benchmark used to be 15-22% less in price to gain a switch to a house brand.

P&G has never conceded share, unless they are pulling out of the category.

They are likely to sharpen pricing, but look for the ads making usage-cost comparisons.

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By AHRL | CHICAGO, IL [May 26, 2009 11:44:41 am](#):

Key issue here is that marketers are no longer in charge. Retailers are. Any other thinking is an illusion....this is the tip of the iceberg.

"While recent initiatives such as a "Salon Secret" campaign comparing Pantene favorably to salon brands started reversing share losses late last year, Pantene still faces widespread reductions in product lineups and shelf space by major retailers."

Too many products and limited shelf space...








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