

CASE 16

Gillette: Why Innovation May Not Be Enough*

Synopsis: Gillette has long been known for innovation in both product development and marketing strategy. In the highly competitive, but mature, razor and blade market, Gillette holds a commanding worldwide market share. The peak of its innovation occurred in 2006 with the introduction of the Fusion 5-bladed razor. Today, innovation in razors and blades is thwarted by a lack of new technology and increasing consumer reluctance to pay for the “latest and greatest” in shaving technology. Gillette must decide how to put the razor wars behind them and maintain or increase its share of the global razor market.

Themes: Product leadership, product innovation, pricing strategy, integrated marketing communication, segmentation, competition, sports marketing, global marketing, strategic focus

Since its inception in 1901, Gillette has always prided itself on providing the best shaving care products for men and women. In fact, the company was so visionary that it didn't have any serious competition until 1962, when Wilkinson Sword introduced its stainless steel blade. Since that time, the Wilkinson Sword-Schick Company has evolved into Gillette's primary competitor. Through the years, Gillette has strived to stay on the cutting edge of shaving technology in a market that thrives on innovation. This focus led to a game of one-upsmanship with Schick as each company introduced 3-bladed (Gillette's Mach3), 4-bladed (Schick's Quattro), and 5-bladed (Gillette's Fusion) razors in rapid succession. Now, under the ownership and guidance of Procter & Gamble, Gillette faces a saturated U.S. market that fluctuates only when newer, more innovative products are introduced. However, many analysts believe that Gillette and Schick have reached the end of truly meaningful product innovation. Given this, Gillette faces the challenge of further expanding its already dominant 66 percent share of the \$12.8 billion global market. And in a market that thrives on innovation, Gillette must determine how to balance the continued investment of resources in research and development, searching for “the next big thing” in the global shaving market, and capturing more consumers who have become increasingly sensitive to the high prices associated with innovative shaving technology.

*Michael D. Hartline, Florida State University, prepared this case for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. Editorial assistance was provided by MBA students Leanne Davis, Brent Scherz, Matthew Cagiolosi, Daniel Breiding, Nicole Dyché, Colin Roddy, and Ryan Wach.

The History of Innovation at Gillette

Born in Fond du Lac, Wisconsin in 1855, King Camp Gillette learned from an early age the importance of self-sufficiency, innovation, and invention. After his family's home was destroyed in the Chicago Fire of 1871, Gillette left home at 16 years of age to become a traveling salesman. His experiences in his position led him to William Painter, the inventor of the disposable Crown Cork bottle cap, who assured him that a successful invention was one that was purchased over and over again by a satisfied customer. In 1895, after several years of considering and rejecting possible inventions, Gillette suddenly had a brilliant idea while shaving one morning. It was an entirely new razor and blade that flashed in his mind—a razor with a safe, inexpensive, and disposable blade. According to reports, Gillette's idea wasn't immediately successful, as technical experts said it would be impossible to produce steel that was hard, thin, and inexpensive enough for commercial development of the disposable razor blade. However, in 1901, with the technical partnership of MIT graduate William Nickerson, Gillette produced the original Gillette safety razor and blade, establishing the foundation for the Gillette Safety Razor Company.

Since 1901, the Gillette Company has led the personal care and grooming industry through manufacturing efficiency and exceptional marketing. By offering "consumers high-quality shaving products that would satisfy basic grooming needs at a fair price," Gillette effectively captured more than half of the entire razor and blades market across the globe. In fact, in the 1920s Gillette said the following of his razor product: "There is no other article for individual use so universally known or widely distributed. In my travels, I have found it in the most northern town in Norway and in the heart of the Sahara Desert."

Gillette's success in this market carried the company through economic droughts in the 1920s and 1930s, as well as allowed it to weather the storm brought on by World War II. Encouraged by the successful development of his razor products, Gillette felt inclined to challenge his entrepreneurial spirit with the acquisition of two unrelated ventures: the Toni Company, maker of do-it-yourself home permanent-wave kits, and the Paper Mate Pen company, producer of retractable, refillable ballpoint pens. Although seemingly profitable at first, both acquisitions proved to be unsuccessful as sales and revenue waned due to declining demand and innovative competitors, such as Bic's low-priced disposable (non-refillable) pens from France. As a result, Gillette's unblemished track record for success became tarnished as net profits slumped to \$1.33 per share in 1964.

Despite this fact, Gillette reigned as a visionary monopoly in the personal shaving market until 1962, when English firm Wilkinson Sword introduced its stainless-steel blade. Distracted by its experimental ventures with the Toni Company and Paper Mate, Gillette neglected to foresee the impact this small company could have on its core business of razors and blades and began to lose a substantial portion of market share. Although Gillette retained 70 percent of the market at the time, the arrival of Wilkinson Sword's stainless-steel blade initiated a transition in niche markets. For the first time, Gillette executives were unsure how to respond. Should they introduce their own stainless-steel blade or ignore the rival and hope that its market niche would remain small? Fortunately for Gillette, Wilkinson Sword lacked the resources necessary to exploit the niche markets it had penetrated and where it competed with Gillette. Eventually, Wilkinson Sword sold much of its blade business to Gillette. Unfortunately, by this time Gillette had already begun to feel the impact of competition as its market share had dipped to an all-time low of 49 percent.

To revive Gillette's market share and bounce back from unsuccessful product ventures into do-it-yourself permanent-wave kits and refillable ballpoint pens, Gillette's new CEO Vincent Ziegler spearheaded an acquisition and product development campaign. Ziegler

was often described as aggressive, marketing oriented, and ambitious for the company, believing in diversification through the acquisition of companies in other business segments. Under Ziegler's leadership, Gillette purchased the following companies: Braun AG (German manufacturer of small appliances), S.T. Dupont (French maker of luxury lighters), Eve of Roma (high-fashion perfume), Buxton Leather goods, Welcome Wagon, Inc., Sterilon hospital razors, and Jafra Cosmetics (home sales). Unfortunately, four of these acquisitions proved to be unprofitable or unsuitable and were divested, and the other three yielded low profits by Gillette's standards. These ill ventures exposed the company to competitive pressures, especially in the form of Bic's disposable razors and lighters. In addition, Bic's 19-cent disposable stick pens particularly affected the Paper Mate line of refillable pens and drove Paper Mate's share of the retail ballpoint pen market from more than 50 percent down to 13 percent. In 1975, Gillette retaliated with the introduction of its new Write Brothers line of disposable pens and salvaged a good portion of the lost market share with heavy price promotions.

Despite these pressures, Gillette experienced moderate successes under the leadership of Ziegler with the introduction of Cricket disposable lighters and Soft & Dri antiperspirant (until the industry experienced a sharp decline in sales of the spray product due to the belief that aerosols destroy the ozone layer.) Furthermore, the introduction of the Trac II razor was deemed a "great success" and thus continued Gillette's dominance in this market. Other successful product developments came under the leadership of Colman Mockler, Gillette's next CEO, whose strategy was to cut costs and invest more money into advertising and product development. Under Mockler, Gillette experienced some of its greatest successes including memorable innovations such as the Atra razor, the Good News! disposable razor, and the Daisy razor for women. After these product additions, Gillette held roughly 75 percent of the global market in razors and blades, including a majority of the U.S. shaving market (razors, blades, and the leading shaving cream). By the end of 1980, Gillette's sales rose above \$2 billion for the first time in the company's history.

The foundation of this success was the introduction of new products for the razor and blade market developed in Gillette's home laboratories. As previously mentioned, Gillette's Atra-Plus shaving system, which featured a refillable Atra cartridge with a lubricating strip, overtook the Trac II as the number one selling razor. In addition, to directly compete with Bic and other razor companies, Gillette updated its Good News! line to include a disposable razor with a lubricating strip. Furthermore, in the personal care segment, Gillette made several introductions, including Aapri facial care products, Dry Idea deodorant, Bare Elegance body lotion, Mink Difference hair spray, White Rain hair care products, and Silkience shampoo and moisturizers. These additions had mixed results and left Gillette still searching for the keys to success in this business segment. In the writing instruments segment, Gillette achieved moderate success with the development of Eraser Mate erasable, disposable pens. Also, the steady sales of Paper Mate pens and Liquid Paper correction fluids helped to maintain company performance.

The Razor Wars

By 1990, Gillette found itself in the interesting position of cannibalizing its own successful products with the launch of the Sensor razor. The Sensor soared in sales globally and quickly dominated the market, only to be succeeded by the Sensor Excel in 1993. This was not the first competing product produced by Gillette; however, it represented the first product that was able to effectively shift consumer demand and sales away from the Atra and Trac II—Gillette's leading products. A similar effect occurred in the women's razor market with the development of the Sensor for Women in 1992 and the Sensor Excel for Women in 1996. As to be expected, the continued success of the Sensor

family of shaving systems led to the gradual decline of the Atra and Trac II twin-blade shaving systems. However, despite this decline, the Atra and Trac II razors continued to hold decent market share positions worldwide. In addition, holding steady since 1976, Gillette's Good News! brand maintained its position as the best-selling disposable razor in its product category worldwide.

Gillette's internal competition heated up with the introduction of the Mach3 razor in 1998. Touting three thin blades designed to provide a closer shave with fewer strokes and less irritation, the Mach3 became Gillette's most successful new product ever as sales rose to \$1 billion in the first 18 months. Recognized for its innovative design (blades on tiny springs), the Mach3 was named winner of the American Marketing Association's Grand Edison Award for the best new product of 1998. Similar to the marketing strategy employed for the Sensor and Sensor Excel products, Gillette sequentially produced the Mach3 Turbo for men and the Venus system for women in an attempt to further expand the reach of Mach3 technology and market share.

In 2003, the razor wars got ugly as Gillette faced a new, more threatening competitor: Schick and the Quattro—the world's first four-bladed razor. Before Schick introduced the Quattro to the market, Gillette sued Energizer Holdings and its Schick division, arguing that the Quattro illegally used the same "progressive geometry" technology as the Mach3. However, despite the lawsuit, Schick was allowed to launch the Quattro. To combat the suit, Schick countersued Gillette, claiming that Gillette's advertisements stating "the world's best shave" and "the best a man can get" were misleading. While Gillette and Schick engaged in a legal ping-pong match, consumer preferences and purchases were changing. In addition to Schick's Quattro for men, its Intuition for women began to encroach upon Gillette's hold of the women's shaving market. Schick's total share of the U.S. market had risen 2.9 percent to 17 percent, while Gillette's total share of the razor and blades market had fallen 4.3 percent to 63 percent.

To fight back, Gillette aggressively established a two-fold plan of attack for recapturing market share. This strategy included converting consumers to higher-priced razors and blades, such as the Sensor, Sensor Excel, and Mach3 lines, from the single- and twin-blade razors, and geographically expanding into the areas of Romania and the former Yugoslavia, the Soviet Union, and the Czech Republic. At the forefront of Gillette's strategy sat its secret weapon: the Fusion—the world's first 5 (+1) blade razor, introduced in 2006. Using a unique 5-blade design with a single blade on the back of the cartridge for use in trimming moustaches and side burns, the Fusion exploded off the shelves and sold more than 4 billion razors within the first two months. Furthermore, the Fusion razor represented the first product introduction since Proctor & Gamble finalized its purchase of The Gillette Company and its subsidiaries, including Braun, Duracell, and Oral-B.

Although the Fusion represented a victory for Gillette and P&G, the hype surrounding its initial success was quickly fleeting. Other than being more expensive than the Mach3 (each cartridge costing 75 cents to \$1 more than the Mach3 cartridge,) critics questioned why five blades were needed to get the best shave when Gillette had touted its three-bladed Mach3 as "the best a man can get" since the late 1990s. In addition, *Consumer Reports* concluded that there were no additional performance benefits provided by the 5-bladed Fusion, especially when compared to the Mach3. However, what was the most concerning for Gillette was the fact that sales reports indicated that the razors were outselling the cartridge refills. This translated to a consumer perception akin to a "novelty" product with a lack of staying power and product loyalty. Further, from a financial standpoint, Gillette feared not reaching the sales potential for the product combination, because it is well known that razor manufacturers earn most of their profits from blade refills, not the initial razor purchase. Despite these concerns, the Fusion line continued to be a successful revenue generator for Gillette and P&G.

The Quest for Continued Innovation

Rather than continue the razor wars by producing a six- or seven-blade razor, Gillette focused on releasing complementary products, enhancing its existing product lines and expanding its intensely successful marketing strategy. To complement its already successful razor and blades division, Gillette sought to expand its product portfolio inside the shower doors to create the full “shower experience.” For example, the launch of Gillette Hair Care and Body Wash for men, as well as its Clinical Strength deodorant, represented the most significant Gillette brand extensions outside of the razor and blades division, and aimed to reinforce the brand’s standing as the world’s leading male-grooming authority. “We’ve earned the trust of the more than 600 million men who start their day with a Gillette razor,” said Chip Bergh, Group President, Global Personal Care, Procter & Gamble. “By offering superior deodorant, body washes, and shampoos, we are able to reward that trust by giving guys what they want and need in other areas of their grooming routines.”

Because razors and blades are in the maturity stage of their product life cycle, focusing on these complementary products allows the company to increase its share of customer. Defined, share of customer refers to the percentage of each customer’s needs in a particular area met by the firm and is exploited when a company with brand loyalty effectively capitalizes on that preference to market other products. Gillette’s ability to increase its share of customer is greatly enhanced due to the resources available at Procter & Gamble. According to Clayton C. Daley, Jr., vice chairman and chief financial officer of P&G, “One of the objectives of the Gillette integration has been to leverage the strengths and technologies of both companies to develop new products. We’re generating revenue synergies by combining our superior science and male-grooming expertise to introduce these adjacent Gillette-branded products.”

In addition to complementary products, Gillette’s primary focus has been on the extension of its core business and the marketing programs that support it. Going beyond simple brand advertising, many of the initiatives and activities introduced by Gillette created a synergy between product development and marketing strategy. For example, building off the success of the Fusion and Fusion Power razor and blades, Gillette released the Fusion Power Phantom (Stealth in the United Kingdom) in February 2007. The Phantom razor featured a redesigned handle and a darker color scheme than the original Fusion Power. In addition, in February 2008, Gillette released another revision, the Fusion Power Phenom, redesigned with a metallic blue and silver satin chrome handles color scheme. In 2009, Gillette launched the gaming-inspired Fusion Power Gamer razor at the EA SPORTS Champions of Gaming Tournament.

Despite these advances in shaving technology, Gillette’s market research indicated that most men still experienced discomfort during and after shaving. In response, Gillette released the Gillette Fusion ProGlide shaving system in 2010. The ProGlide and ProGlide Power were built on the original Fusion platform and included new innovations such as 5 percent thinner and finer blades, a blade stabilizer, comfort guard, a 25 percent larger abrastrip, a microcomb, a redesigned precision trimmer, and a redesigned handle. Gillette’s testing with consumers showed that the Fusion ProGlide family was preferred 5-to-1 over the Gillette Fusion, which was already the world’s best-selling razor. The ProGlide family was also named Best Razor of 2011 by *Men’s Health* magazine. Chip Bergh speaks to the motivation and results of their efforts, “By taking the world’s number one selling razor and making it better—dramatically better—we are defining a new standard for the more than 600 million men around the world who trust their faces to Gillette.” These strategies of innovation and global expansion enabled Gillette and its products to grow market share every year from 2006 to 2011, selling nearly 100 million razors and blades in 75 countries.

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In January 2012, Gillette launched the Fusion ProGlide Styler in conjunction with a new “Masters of Style” campaign. The campaign focused on three celebrities known for their facial hair styles, namely André 3000 Benjamin (a musician), Adrian Brody (an actor), and Gael García Bernal (an actor). The ProGlide Styler was designed to simplify facial hair styling; a complex process involving trimmers, scissors, and razors. P&G combined the best attributes of its Gillette and Braun brands to develop a single, three-function product that trims, edges, and shaves. P&G also developed a new ProGlide Clear Shave Gel to accompany the 3-in-1 styling tool.

While Gillette’s bread-and-butter has always been male consumers, the company has also made great strides in appealing to the needs of women. In 2010, Gillette won the Most Profitable Solution to a Business Problem—Gold Award for its women’s Venus razor. In the past, most women’s razors were simply pink-colored men’s razors. Gillette changed the game by tackling women’s shaving issues head-on. The Venus was the first wet-shaving product designed specifically for women, and was considered to be the first shaving product that actually improved the daily shaving experience for billions of women around the world.

Marketing Strategies

Gillette’s lethal combination of marketing and product development stemmed from the fact that when it came to blades and razors, Gillette was not content with merely having an innovative product. The company virtually turned its marketing into a quantitative science, pouring time and resources into marketing plans that were almost military in their precision and implementation. Gillette’s stellar marketing strategies date back to the Sensor and Senor Excel products and can be attributed, in large part, to the success of its current market position and yearly sales volume. Focused heavily on male-dominated sports marketing activities, Gillette’s marketing program includes the following major elements:

- Gillette Stadium, home to the NFL’s New England Patriots and soccer’s New England Revolution, seats nearly 70,000 fans and has hosted numerous MSL Cup, World Cup, and NFL championships. Gillette’s sponsorship of the stadium allows it to reach a worldwide audience, as both soccer and the NFL are tremendously popular in Latin America and European countries. This is important because 60 percent of Gillette’s sales are generated outside the United States. Given the importance of the stadium sponsorship, Gillette extended its naming rights until 2031.
- Gillette Young Guns, which is aimed at fans of NASCAR, the NFL, and MLB, is designed to drive sales for Gillette’s premium razors and shave care products. The Young Guns campaign, which includes noted athletes such as Denny Hamlin, Kyle Busch, Matt Ryan, Ray Rice, Carlos Gonzalez, and Evan Longoria, promotes the fast and furious life of men through television, print, online, public relations, and event marketing tactics.
- Team Gillette is the company’s tie-in with the Olympic games. For the 2012 Summer Games in London, Team Gillette consisted of 24 world-class athletes from 18 countries, including U.S. athletes Ryan Lochte (swimming) and Tyson Gay (track and field). Interestingly, four of the 24 athletes were from Brazil, a country where Gillette is making a strong push to promote advanced shaving technology.
- Gillette began its social media presence in 2007 when it launched on Facebook. However, the company did not take social media seriously until 2011. Gillette now actively coordinates its marketing campaigns with Facebook and Twitter. Their U.S. Facebook page has over 1.3 million likes. Gillette also maintains active Facebook

pages for India (over 900,000 likes), Argentina (over 40,000 likes) and the Venus shaver (over 900,000 likes). All of Gillette's Facebook pages feature instructional videos, photos, and sweepstakes. Gillette has over 21,000 followers of its U.S. Twitter feed and over 4,000 following its Brazil feed.

One of the major reasons that Gillette focuses on sports in its marketing efforts is that sport resonates with consumers all around the globe. In virtually every worldwide market, Gillette is the dominant brand in both men's and women's shaving. Given that dominance, and the always present need for shaving equipment and supplies, it is vital that Gillette maintain top of mind awareness in every market that it enters. The company feels that sports marketing and sponsorship are the best ways to meet this need.

Global Expansion

P&G discovered that the best way to gain an understanding of customer needs around the world is to perform R&D where the end product will be sold. A case in point is the Indian market. In 2005, before Gillette was acquired by P&G, it set out to market a new razor for Indian men. Many Indian men shave only a couple of times a week, often with a basin. To test its new razor, Gillette conducted product testing with Indian students at the Massachusetts Institute of Technology (MIT), who responded with rave reviews. However, the students shaved with running water, something not readily available in the Indian market. Consequently, the product launch failed. Later, however, after a product redesign and local market testing, Gillette launched the Gillette Guard to unprecedented demand among Indian men. Within three months of the launch, Gillette Guard became the best selling razor in India. It now holds a 50 percent market share. The success of the Gillette Guard also promoted sales of Gillette's other brands, most notably the Mach3.

Today, P&G invests about \$2 billion a year in R&D—60 percent more than its closest competitor. Much of that R&D effort occurs in nations other than the U.S. For instance, P&G recently opened the Beijing Innovation Center (BJIC) in China—a \$70 million home for P&G's regional R&D efforts. P&G has poured \$1 billion into China for R&D purposes and plans to spend another \$1 billion within the next five years. P&G now has 25 R&D centers around the globe aimed at creating product innovations to serve the needs of customers regionally. The success has been evident as P&G has made product launches globally in untapped markets that have allowed their share of the razors and blades market to reach 70 percent. Shipments of both the Fusion and Mach3 have been increasing in global markets at a fast pace.

Pricing Strategy

Since 2007, Gillette has acknowledged that product quality and efficient marketing are the core value propositions that set the pace for the success of Gillette's product lines. "If you have a significantly and demonstrably superior product or service, it really is quite meaningful," said Benson P. Shapiro, a marketing consultant in Concord, Massachusetts. However, "If you don't put it into language that gives a promise of something better, people won't try it." Gillette learned this first hand during the economic recession that began in 2008. Despite the company's stellar marketing efforts, U.S. unit sales of Gillette's blade cartridges fell roughly 10 percent every month from 2008 through 2009. When combined with the fact that Gillette consistently raised prices to offset higher production costs, it became clear that U.S. consumers had slowed their purchases of Gillette's razor products. This was especially evident when compared to the sales of private-label disposable razors, which increased 19 percent over the same time frame.

Still, Gillette's solid gains in foreign markets offset some of the decline in the U.S. market.

Approximately 1.3 billion men worldwide shave with a razor blade. Within the United States, 94 million men ages 15 years and older remove hair in some fashion. Of these, 85 percent prefer to wet shave with a razor blade. The average American male begins to shave between the ages of 14 and 16 and continues to shave for the majority of his life. In addition, 100 million women in the United States, ages 13 years and older, remove hair in some fashion. Of these women, 94 percent prefer to shave with a razor blade. On average, men in the United States shave 5.33 times per week, or 24 times a month, and spend approximately \$20 to \$25 per month for razors, blades, and shave preparations.

These statistics point to a potential vulnerability in Gillette's pricing strategy. The retail price of a Fusion ProGlide razor for men and an eight-pack of replacement cartridges is almost \$39.00. Step up to Fusion ProGlide Power and the price increases to almost \$44.00. Gillette claims that the ProGlide cartridge will last up to 5 weeks with daily use. Although the veracity of this claim is up for debate, evidence shows that most men and women like less expensive three-blade razors just as well. A 2006 *Consumer Reports* test showed that 18 of 26 men who tested the Fusion razor would not switch from their regular three-blade razor. Reviews for the Fusion ProGlide razor on Amazon.com are mixed, with a four-star average. A price comparison of various brands in the men's and women's wet-shaving market is shown in Case Exhibit 16.1.

Gillette's own research shows that men try to reduce the cost of shaving by cleaning their razors with toothbrushes or in the dishwasher to make the blades last longer. The high cost of shaving has led to a number of start-ups that are attempting to shake up the market. For example, the Dollar Shave Club (www.dollarshaveclub.com) signed up 12,000 customers in its first 48 hours of operating online. Customers can choose from three service offerings: The Humble Twin (\$1.00 per month, plus \$2 shipping and handling, for 5 twin-blade cartridges), The 4X (\$6.00 per month for 4 four-bladed cartridges), or The Executive (\$9.00 per month for 3 six-bladed cartridges). The company explains its service this way:

Like most good ideas, The Dollar Shave Club started with two guys who were pissed off about something and decided to do something about it.

We got tired of spending \$15-\$20 every time we bought razor blades. We asked ourselves, did we really need all this fancy technology in our shave: a vibrating handle, LED guide-lights, 8-blades, and grip that could steady a 9-iron? The answer was a defiant "No"!

We felt like we'd been over-marketed to. "Big Shave" companies keep telling us we need more expensive equipment, but why? Shaving should be simple. It sure used to be. Look at old photos of your father & grandfather. They didn't have extreme shave gear, and they look pretty handsome, don't they?

So... we teamed up with one of the world's leading blade manufacturers and created signature 2, 4, and 6 blade razors. They've got everything you need in a shave: stainless steel blades, lubrication bars, and pivoting heads.

But we didn't stop there... We thought: You know what also sucks... forgetting to pick up razor blades at the store and then making excuses about why we look like we slept in a motel last night. Razor blades are one of the most regular purchases we make. Someone should just send us our blades once a month.

CASE EXHIBIT 16.1 Wet-Shaving Products and Prices

	Brand	Initial Price of Razor	Price of Replacement Cartridges
<i>Men's Products</i>			
Gillette	Mach3	\$8.59	12 for \$25.99
	Mach3 Turbo	\$9.99	8 for \$22.99
	Fusion	\$9.99	4 for \$13.49
			8 for \$24.99
	Fusion Power	\$11.49	4 for \$15.99
			8 for \$26.99
	Fusion ProGlide	\$9.99	8 for \$28.99
Schick	Fusion ProGlide Power	\$11.99	8 for \$31.99
	Hydro 5	\$9.49	4 for \$11.99
	Hydro 5 Power Select	\$11.49	4 for \$12.49
	Hydro 3	\$8.99	4 for \$8.99
	Quattro	\$9.99	4 for \$10.29
			8 for \$18.99
	Quattro Titanium	\$9.99	4 for \$10.99
		8 for \$20.99	
Bic	Comfort 3	4 for \$3.89	
		8 for \$6.99	
	Comfort 3 Advanced	4 for \$5.99	
		6 for \$7.99	
<i>Women's Products</i>			
Gillette	Venus	\$5.99	4 for \$9.99
			8 for \$19.99
	Venus Divine	\$8.99	8 for \$19.99
	Venus Breeze	\$9.99	4 for \$12.99
	Venus Vibrance	\$11.99	4 for \$16.49
	Venus Embrace	\$10.99	4 for \$14.99
Schick			8 for \$28.49
	Hydro Silk	\$11.49	4 for \$16.99
	Quattro for Women	\$9.49	4 for \$11.49
			8 for \$21.99
	Silk Effects Plus	\$5.99	5 for \$8.99
	Intuition Plus Renewing Moisture	\$9.89	6 for \$20.99
	Intuition Plus Sensitive Care	\$9.89	3 for \$11.49
Bic	Soleil Triple Blade	4 for \$6.49	
	Soleil Twilight	4 for \$6.49	

Sources: Lowest posted prices at Drugstore.com (<http://www.drugstore.com>) and CVS.com (<http://www.cvs.com>), accessed July 31, 2012.

And just like that, the Dollar Shave Club was born! For as little as \$1/month, a great shave delivered right to your door. No more superfluous shave tech. No more stubble in the status meeting. Just a great shave for a low-commitment.

The Dollar Shave Club has been so successful that it has raised over \$1 million in seed money from venture capital firms. A similar company, RazWar.com, has launched in Belgium with similar funding from venture capitalists. Another company is planned in the U.K. Not to be outdone, Amazon offers Gillette Mach3 Cartridges for \$2.06 each if customers agree to regular shipments. ProGlide cartridges are also available for \$3.44 each. Gillette responded with new advertising focusing on the value and long-lasting attributes of the ProGlide system. However, early signs show that Gillette's U.S. market share has dipped as much as 2 percent over the last year. With the trend in online razor purchases, it is clear that Gillette and P&G will face significant pressure on their premium pricing strategy as more consumers learn about other options.

Looking Toward the Future

To succeed in the future and effectively win the razor wars and beyond, Gillette must find new ways to innovatively out-produce or out-market the competition. In essence, the challenge for Gillette is to push the envelope without creating innovations that are seen as trivial. This requires massive expenditures on R&D that lead to products capable of recouping their investments. As Gillette looks to future technological innovations, the company must be concerned about broad consumer acceptance and whether its research investment can be recovered in a reasonable time frame.

Similarly, when considering possible increased global expansion, Gillette must consider the roles that culture, religion, and Western influences play in shaving behavior. For example, internationally, 15 percent of the world's male population does not shave due to discomfort from shaving; 7 percent do not shave for religious reasons; and 3 percent simply do not care to shave. Being aware of these behavioral and cultural characteristics will allow Gillette to effectively segment and target those they will be most successful in transforming into customers. Similarly, although some women in European countries choose not to shave for cultural reasons, others now prefer to engage in the activity as they increasingly embrace Western lifestyles. For example, younger generations of European women are being influenced by American movies and television that depict women with sleek underarms and legs. By fostering adoption of the shaving lifestyle, Gillette can effectively capitalize on this trend. In fact, if European women embraced hair elimination at the same pace as American women, total blade sales would increase by hundreds of millions each year.

In many ways, Gillette and Procter & Gamble are in an enviable position. Gillette's products dominate the global wet-shaving market. The company continues to grow, although slowly, in every worldwide market. Still, many industry analysts wonder if Gillette has reached the end of its historical innovation in wet-shaving technology. Thus far, Schick has not responded to the Fusion ProGlide with a breakthrough innovation of its own; however, it did respond by creating its own 5-bladed razor called the Hydro. Given that the wet-shaving market is mature, Gillette must depend on innovation to perpetuate its dominance (whether in product design or marketing), as well as create an appeal that entices customers to try and purchase its products. By aligning that appeal with what customers value, Gillette has the potential to establish a position of long-term product maturity and market dominance. In that position, it won't matter how many blades a competitor puts on a razor.

Questions for Discussion

1. Evaluate product innovation at Gillette throughout its history. Has Gillette been a victim of its own success? Has product innovation in the wet-shaving market come to an end? Explain.
2. What do you make of the razor wars, first between Gillette and Schick, and now with online competitors? Does Gillette face a serious threat from competitive inroads? Explain.
3. What actions would you recommend over the next five years that could help Gillette maintain its worldwide dominance in the shaving market? What specific marketing program decisions would you recommend? Should Gillette be worried about its pricing strategy? Explain.

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