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P&G: Scope Case Brief

Summary:

Procter & Gamble is a very well known company worldwide. We have strong company and brand awareness in about 140 countries. Now is the time where one of our products, Scope, needs to increase its market share in the Canadian mouthwash market. However Plax, a new competitor, has entered the market and taken over about 10% of the market share. Although Scope has high brand awareness, this is definitely a huge threat because its market share has decreased. Plax has positioned itself as more of a "pre-brushing rinse" rather than the original after-brush rinse that the mouthwash brand is known for. Plax claims to remove more plaque than just brushing alone. With that being said, our marketing team has come up with some possible alternatives for Scope: upholding the status quo (doing nothing), offering a line extension, starting a flanker brand, and finally, relaunching the product with plaque benefit. After some research and discussions with our team, we have decided that the best alternative would be to relaunch Scope with the addition of plaque benefit. We believe that this is the best option because although it might change our consumer market, it does give us the best chance to increase our market share and profit.

Background:

When Scope was first introduced in 1967, it became the market leader in Canada. Our strategy was for bad breath protection that tasted great. During the time the mouthwash market was changing competitively, Plax was introduced in 1989. This introduction was a huge threat to Scope leading to decreased market share. Procter and Gamble as a whole did not like seeing this decrease; therefore, our team came together to discuss some recommendations. Based on our consumer market we found out that people liked Scope because it was mouth refreshing, but there was no health benefits (refer to exhibit 1 & 2). Plax on the other hand, offered plaque fighting benefits but was not mouth refreshing (refer to exhibit 1 & 2). All in all, Scope needed a new plan. Therefore, relaunching Procter & Gamble's original product with the addition of plaque benefits along with the reputation of a great tasting mouthwash, leads to beneficial outcomes for the company.

Recommendation:

1. Do nothing (status quo)
2. Offer a line extension
3. Introduce a flanker brand
4. Relaunch with the addition of plaque benefit

Rationale:

Our team came up with four possibilities that can solve the problem Scope is having within the Canadian mouthwash market. Our first possible recommendation is to uphold the status quo. We would like to consider this as an alright alternative because of the positive outcome that we concluded. Our calculations gave us a net contribution before corporate overhead costs to be $6,388,170 (refer to appendix A). So with this we see a profit, but after some research we believe that if we do not adapt to the changing market like our competitors, this can hurt us even more. Our second possible recommendation is to offer a line extension that gives us an opportunity to offer a new product but gives us a negative outcome. With this we saw our net contribution decrease to negative $1,502,703 (refer to appendix B**)**. Along with the loss of net contribution, we would have to cannibalize our original product and this would give us a loss of net contribution of $1,892,907 as well (refer to appendix B). Our third possible recommendation is to introduce a flanker brand. Our goal with this is to pull consumers attention towards us and increase our sales. However, this again gave us a negative outcome with our net contribution being negative $721,697 (refer to appendix C). Finally, our fourth possible outcome is to add a plaque benefit and relaunch Scope. This relaunch gave us the best outcome and a net contribution before overhead costs of $6,856,739 (refer to appendix D). This alternative may cause our consumer market to change, but we see incredible potential for growth and great profit for our brand.

Next Steps:

There are a few steps that we need to take before finalizing this plan. We need to create a structured timeline to see how long it will take this product to be ready for relaunch. First, our team needs to meet with the research and development team to discuss how long it will take to add the plaque fighting benefit to our product, Scope. Then we will need to talk with the marketing team to finalize a relaunch strategy including a new label. For example, we need to figure out how much advertising is going to go towards this product as well as promotions to ensure that our consumers know what is happening with our company. We will create a new budget referring to all of our expenses for relaunch. Once this is complete and we have our budget, we will relaunch our product with heavy promotions and advertisements such as magazine ads, sampling and coupons, dentist recommendations, billboards, and commercials. Our new label will attract old and new consumers and build great brand awareness for the relaunch of Scope.

Appendix:

Appendix:		
A: Do Nothing		
	Net Sales/Unit	$41.25
	Less: Variable Cost	$20.52
	Contribution	$20.73
	1990 Market Size (units)	1,358,000
	X Adjusted Growth	5%
	X 1% Market Share	1,426,000
	Units Sold Given 1% Share	14,260
	Contribution Per Unit	20.73
	X Units given 1% Share	14,260
	Contribution Given 1% Share	295,609
	Estimate Market Share	32.20%
	X Contribution Given 1% Share	$295,609
	Total Cont. without Marketing	$9,548,170
	Minus (-) Marketing Exp.	$3,160,000
	Net Contribution before overhead	$6,388,170

Appendix:		
B: Line Extention		

	Net Sales/Unit	$41.25
	Less: Variable Cost	$23.37
	Contribution	$17.88
	Unit Sales	92,690
	Total Contribution	$1,657,297
	Minus (-) Marketing Costs	-$3,160,000
	Net Contribution before overhead	-$1,502,703
	% Cannibalization	4%
	X "original" Scope unit sales	470,580
	X Contribution per unit "lost"	$20.73
	Total Contribution Lost	$390,204
	Net Contribution	-$1,502,703
	Minus (-) Contribution Lost	$390,204
	Net Gain/ Loss	-$1,892,907

Appendix:		
C:Flanker Brand		
	Net Sales/Unit	$50.00
	Less: Variable Cost	$23.37
	Contribution	$26.63
	Total Contribution	$2,278,303
	Minus (-) Marketing Costs	-$3,000,000
	Net Contribution (before overhead)	-$721,691
	1990 Market size X growth X .01 (market share) X estimated market share X contribution/unit = Total Contribution	
	(1,358,000 X 1.05^2 X .01 X 6% X 26.63)	

Appendix:		
D: Relaunch		
	Net Sales/Unit (10% increase in	$45.38

	price)	
	Less: Variable Cost	$23.37
	Contribution	$22.01
	Total Contribution	$10,356,739
	Minus (-) Marketing Costs	-$3,500,000
	Net Contribution (before overhead)	$6,856,739
	1990 Market size X growth X .01 (market share) X estimated market share X contribution/unit = Total Contribution	
	(1,358,000 X 1.05^2 X .01 X 33% X 22.01)	

Appendix D		
Exhibit 8		
	Total Market-Units (1,358,000 X 1.05 growth)	14,259,000
	X Scope Share % (our estimate)	35%
	Unit Sales (000)	$500
	Sales Price (Per Unit)	$45.38
	Variable Cost (Per Unit)	$23.37
	Contribution per unit	$22.01
	Fixed Cost (000)	
	Manufacturing ($3.50 X Unit Sales)	$1,750
	Misc ($1.91 X Unit Sales)	$955
	Advertising	$2,000
	Promotion	$1,500
	General Overhead	$1,400
	Total Fixed Costs	$7,605
	Total Contribution (unit sales X contribution/unit)	$11,005
	Less Fixed Costs	$7,605

	Net Contribution	$3,400
	cannibalize (if applicable)	N/A
	Net Contribution	$3,400