

Inside the Box

Procter & Gamble's Jim Stengel has challenged his marketing teams to get up close and personal with consumers.

By Constantine von Hoffman

One of Jim Stengel's biggest insights into marketing came from boxes of unsold deodorant. In 1995, he was general manager of Procter & Gamble's business unit in the Czech and Slovak republics. Looking at sales and market share figures, he noticed the deodorant category was wide open.

So, as a way to introduce the Secret brand to more consumers, he decided to give away a huge number of samples. Basic marketing, right?

It turns out that Czech women used deodorant more as a perfume. "It's not a daily use thing," Stengel recalls from his office at P&G's Cincinnati headquarters. By handing out the samples, Stengel had given potential customers the equivalent of eight months' supply of deodorant for free. "We got zero sales. Nothing was moving," he says. "It was a classic case of not being close enough to the consumer. It wouldn't have taken much to understand that Czech women don't use deodorant every day."

A decade later, Stengel is Procter & Gamble's global marketing officer, and all of P&G is learning that you can never be too close to the customer (even if they don't use deodorant). The closer you get, Stengel reasons, the more you learn about what they do and how they live. This simple philosophy has spawned some radical change at P&G that, considering the company's status as one of the world's largest advertisers, is likely to shake up the marketing model as we know it.

A pioneer of market research in the 1920s, P&G is now reinventing the discipline. Instead of finding out what products consumers use, the company has embarked on a journey to discover how consumers use them. And it is literally a journey. Stengel's team of 3,500 marketers are fanning out to the places where consumers live and work to observe their behavior, be it Czech women dabbing deodorant on their necks or Chinese villagers doing laundry. Their objective: To find ideas for new products, new uses for existing products and new ways to build relationships with consumers. The approach requires a much higher level of risk-taking and experimentation than P&G is known for.

"What we're trying to do is let people, without a filter, really be with our consumer in her life," says Stengel. "And we think that's where a tremendous amount of innovation will come from."

A Need-to-Know Basis

The phrase "consumer-centric marketing" has become so commonplace that it has practically lost all meaning. For Stengel, however, it has a very specific definition: beginning each project by asking, with no preconceptions, "Who is your consumer, and what's different about her?"

Although a simple question, it is one a lot of companies have trouble answering. Most research is done "in regard to a specific product, rather than getting to know the market as a whole," says George Haley, professor of marketing at the University of New Haven. P&G, by contrast, is now

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looking at all aspects of a consumer's life to see where it can fit in. "The company really understands the need to know the customer better," says Haley. "Not just their likes and dislikes, but their media habits, their media preferences and how they use the media that they are watching, listening to, reading and interacting with."

This type of research, led by P&G's Consumer Market Knowledge division, "enables us to fully understand the consumer," says Stengel. "This may mean going into her home and experiencing her morning routine, having lunch with her family, participating in daily chores like laundry. It can also mean shopping with her on a set budget or experiencing the technology she uses, like Internet shopping or text messaging."

For Stengel, such immersion leads to a radically different perspective, one in which Pampers is not about diapers, it's about helping a mother with her baby's development. Once you reach that understanding, he says, "everything changes: The discussion with R&D changes, the discussion with sales changes, the discussion with retailers changes."

That's precisely what happened with P&G's Febreze brand, which the company originally marketed as a product to remove unwanted odors such as smoke from fabrics and textiles. "If you only think of it as a smoke remover, then every single smoky jacket will be done, but you will never get the full benefit of the technology," says Karl Ronn, the company's vice president of Home Care R&D and Global Surface Care. In other words, by targeting only those people who have smelly jackets, you've missed a wide swath of other aromatically challenged consumers.

So P&G marketers began digging into other ways that consumers were using Febreze. Some of the untapped segments they found: a man using it on his gym bag, a teen girl using it on everything in her closet and a teen boy spraying it on the seats in his car. All new markets waiting to be mined by the same product. Based on their research, they changed the message for Febreze from "odor remover" to "fabric refresher." Ronn says the size of the business has increased by approximately 50 percent every year for the past three years.

Spending time with consumers has always been important at P&G; Stengel did it when he was a brand manager in the 1980s. Twenty years ago, however, "it was a little more programmed, a little bit more focus group-oriented or moderator-driven." Now, he says, "We try to be much more innovative about how we get our people, in an honest and natural way, to experience how our brands are part of our consumers' lives."

Whiter and Brighter Ideas

Last year, 10-person teams from P&G's marketing and R&D groups in China spent a day with residents of two rural villages, Liu-An in Anhui Province and Xianyang in Shaanxi Province. One of the things the teams witnessed: laundry, which in these villages was a group activity.

Villagers "do laundry together, out in the streets, in the basins," says Stengel. "It's a very long, social process. So our people just hung out with them." The teams also learned that villagers were conservative with their suds. "We found they wanted a detergent that could take care of basic washing needs at a price that is affordable to them, instead of other frills that might be important to

Understanding how consumers interact with brands can lead to product innovation, as P&G proved with its Febreze brand.

Repositioning the product from "odor remover" to "fabric refresher" led to product extensions such as Scentstories, a machine that emits various scents stored on CD-like discs

high-end consumers, such as conditioning and softening of clothes," says Charles Zhang, P&G's senior manager of external relations in China.

When the teams came back and shared what they'd learned, P&G used their findings to "totally change everything about our approach [in that region] to laundry," says Stengel. P&G developed single-use packages of Tide Clean White that cost the equivalent of a few pennies, a departure from the the large, economy-size packages that more affluent consumers prefer. But the packaging wasn't the only revision. "The media planning changed; the formula changed; advertising changed," says Stengel. "The advertising reflected those people, their values, their lifestyle. And business rocketed."

When you send marketers into the field, Stengel discovered, something crucial also changes: attitude. Field work "gets people out of the office, working together in unexpected situations," he says. And they get inspired. "Because whatever they're working on—whether it's a life-changing drug like Actonel or Asacol, or it's Tide or Downy—when they understand the product has a role in someone's life, they come back more pumped up."

Controlling Interest

Stengel's view of the consumer as boss is the crux of his oft-repeated proclamation that today's marketing model is broken. To clarify, Stengel isn't signaling the death of the 30-second spot—although the company is expected to cut its national TV ad spending next year by 15 percent, or about \$300 million. Instead, he's knocking the tradition of developing a master plan to rope in the most consumers.

"I don't think there's a model anymore. I think there's an approach," he says. "That approach has to be predicated on what the consumer is actually doing, not what advertisers are used to her doing."

"To me, that is a provocative event," Stengel adds. "People start to see that this is how the consumer is in control, that she feels more empowered than ever. She actually enjoys this role of many choices. And we have to find a way that fits into her life in a way that she accepts. That is where marketing is going."

As P&G drives away from the mass market, it's bringing its partners along for the ride. In 2001, the company shifted its compensation for ad agencies from a commission-fee model to one that bases the incentive on the success of the business. Stengel is looking for ways to extend this type of incentive-based model with other partners such as PR and ad-buy agencies.

"My ideal world would be incentive-based, sales-based compensation for all value partners," says Stengel. "But there are lots of complications getting there. We tested the sales-based compensation with ad agencies for a few years. We can screw up a lot of things by moving too fast. But the principle is dead right."

At least one of P&G's partners agrees. "This compensation system is focused on the results and value we provide," says Bob Maloney, chief financial officer for the ad agency Leo Burnett USA. "It aligns our objectives with the goals of P&G."

Maloney says that when Burnett and P&G started working under this sales-based model five years ago, other Burnett clients approached the agency about adopting it. So far, however, none has, which Maloney attributes to a level of comfort with the traditional fee-based system. "I do find it surprising that others aren't doing it," he says. "We and other agencies are bringing forth a lot more big, holistic ideas to Procter, and that's bearing out in Procter's sales results."

Going with Your Gut

Following the consumer, not leading her, has forced P&G to move quickly into new areas without its

customary safety net: measure once, measure twice, then measure some more. Consider the Tide teams in China. "I don't think we would have done that 10 years ago," Stengel says. "That's taking some risk. Rather than process recommendations and packaging changes, they lived with consumers."

Stengel is now in the unaccustomed position of telling people to go with their gut first and measure later. "In order to get some confidence, you just learn to trust your hunches," he says. "If something looks really good, I won't go out and look for 10 more pieces of data. I'll say, 'Run with it, go!' You get a sense, you get intuition, which I think is really powerful."

Which isn't to say that P&G no longer puts a high value on measurement. The company is still committed to understanding what each dollar spent on marketing actually buys. P&G has unleashed its measurement expertise on emerging areas such as word-of-mouth marketing (see "**Making Waves**"), and it is working with Arbitron and VNU on the media-measurement initiative called Project Apollo (see "**Project Apollo**"). The company also has developed its own tool for measuring brand equity, about which Stengel will say precious little other than it "enables us to look at equities across categories and geographies."

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The goal of these efforts is to discover new ways to measure traditionally murky areas of marketing. "We're working with some of the best modeling agencies, trying to determine how to better break apart what's going on in the market to understand what's driving the whole equation," says Stengel.

"We're pushing creativity, innovation and risk-taking, and at the same time we're pushing discipline. That one-two is very powerful," he adds. "The key is keeping both of those initiatives going. You don't want the measurement to stifle the creativity."

Risk and Reward

Stengel has not discarded P&G's marketing playbook, but he and his team are rewriting significant portions of it. Management and front-line marketers alike are being forced to develop innovative ways to reach the increasingly elusive consumer. Whether it's through an internal contest to create new campaigns, or a day in which everyone is sent out to have a "consumer experience," or the willingness of Stengel and other top executives to discuss past mistakes (think Czech deodorant), the message is clear: Take risks.

"We are rewarding those who step out to test and experiment," says Stengel. "And the reward is actually not in the result. The reward is in the people and the ideas that come forward. If we want to be the company to lead the way into this evolving market landscape, we have to tap into the creativity of our people and encourage them to build brands in a different way than we've done in the past."

The potential payoff for all of this risk-taking is significant. After all, if the consumer is telling you what she wants, then you've answered the biggest marketing question there is.

"We're trying to probe that area of, Are we appealing to you? Are we worth your time?" says Stengel. "Time is just the most precious asset right now. If we can be respectful of their time, if we can be worth their engagement, that's the highest benchmark for marketing."

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