Case Study: Portfolio Growth Strategy for a Consumer Healthcare company [2011]

Cogitaas

Problem Statement

- **Scenario**: A major consumer healthcare company in Australia had a portfolio of oral care products
- However, it's portfolio had been experiencing a slow down in the last few years
- In this situation, a global **Fortune 100** competitor was planning to launch their product in the market
- **Questions:**
  - Are the brand's available resources being used optimally?
  - What changes are needed to achieve maximum impact on sales?
  - How should these resources be allocated to defend a major competitive launch?

Cogitaas

Integrated Modeling Approach

- ***IMA is an advanced modeling approach that analytically combines data and insights from multiple sources to enable the formulation of an actionable strategy***

Analytical Models used for this IMA Analysis

Business Issue

Consumer Pull Analysis

- **MCV Model:** What is the notional value (in $$$ terms) that the consumers are deriving from a brand?
- **Attribute Factor Analysis:** Which are the broad and distinct attribute platforms on which consumer evaluates each brand?
- **Attribute elasticity model:** Which attributes are driving the brand's MCV (in consumer's mind) and the brand's sales (in market)?
- **Variant MCV Model:** Are the variants driving the MCV of the brand and by how much?
- **Variant Positioning Model:** Do variants stand for differentiated benefits or are they driven by the brand halo?

Market Push Analysis

- **Marketing Mix Model:** What is the relative role of price, media, promotion, distribution and competition media in driving sales?
- **Value Curve Analysis:** At what price is the brand's revenue maximized?
- **Price Elasticity Decomposition:** Which SKUs/formats/variants are driving the price elasticity, and therefore where can we increase prices?
- **Penetration Modeling:** Which are the penetration sensitive brands? What are the drivers of penetration?
- **ROI Modeling:** Which levers are giving the maximum ROI? Are these levers in the diminishing returns zone?

Cogitaas

Data Sources and Robustness Checks

Data sources used for this IMA analysis

- Retail Audit Data (from Aztec)
- Media TARPs and Spends Data (from Naked Communications)
- Imagery Attributes Data (from IPSOS and The Leading Edge)
- Consumer Panel Data (from Aztec)
- ATL/BTL Spends data (from Company)
- Detailing Data (from Company)

Robustness Checks

- Models were developed on both consumer panel data as well as retail audit data, and the results were cross-verified. It was ensured that the findings are consistent with both databases
- The interactions across demand drivers were checked to identify the pure effect of each variable which can be a potential demand driver

Cogitaas

Key Insights

- Consumers are reacting to the **Brand's absolute price** and not to price relative to it's category or segment

- Brand price elasticity of -12.5% is very high and signifies that for every 5% decrease in the Brand's price, the Brand's volumes are likely to increase by 12.5%. **Indicates pressure to reduce net consumer prices**

- Spends on Price Promotions have been found to have high elasticity. Additional analysis revealed that consumers are highly responsive to price discounts. Therefore, **promotions need to play part in price reduction strategy**.

- TV Media elasticity of 0.57% is slightly higher than the benchmark level and indicates that Brand's media has been a driver of growth and **should continue**. However, the positive impact of media is being offset by the large negative impact of competitor's media (-0.93%)

- **Detailing was found to be a strong driver of the Brand's sales**. Its elasticity of 0.43% denotes that every 5% increase in detailing is likely to increase the Brand's Volume incrementally by 0.43%.

Cogitaas

Key Recommendations

Pricing and Promotions

- **Cut Brand prices by 10%.** Operate by increasing promotional spends.
- Given high MCV and high price sensitivity, **shallow promotions on continued basis** likely to work well.
- Current consumer Value analysis indicates a high pressure to cut prices

Media & Detailing Spends

- **Increase spends on both** since both are highly effective in driving sales
- Further ROI analysis revealed that detailing spends have higher ROI (1.1) compared to media (0.31)
- However, media investment is important to ensure competitive gains

SOS, PoP & Non-price promotions

- Allocate spends from these activities towards Media and **Detailing**

Cogitaas

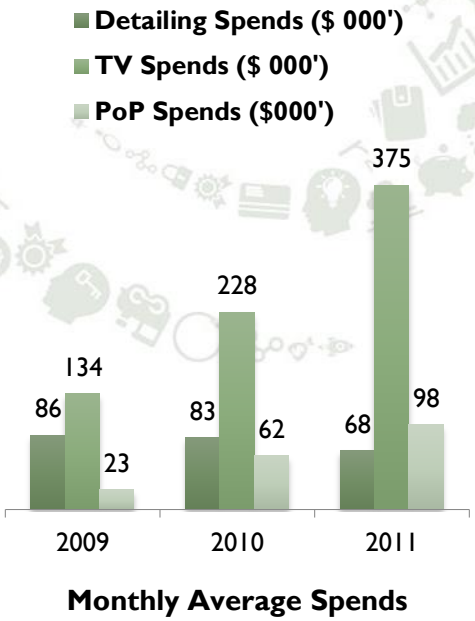
Case for Detailing Investment

Detailing must assume center-stage in long term strategy for the Brand

- The Brand's high price elasticity indicates that consumers require a stronger reason to sustain current price levels. While media is playing its role, expert recommendation is required to help consumers make the leap of **2x the price**

- Detailing has been found to work at 2 levels:
  - ✓ **Short term** view – 3 times higher ROI than media [1.1 vs. 0.31] and 4 times higher ROI than Point of Purchase spends [1.1 vs. 0.26]
  - ✓ **Long term** view – Driver of consumers' perceived value

- Over the last year, detailing spends have reduced and media & point of purchase spends have increased. Hence there is a strong need to increase detailing investment significantly



Cogitaas

Deep dive on Detailing

- Detailing activities were broken across 2 axes: Spend items & Engagement items

Detailing Analysis

- **Spends**
  - Sampling
  - Salaries
- **Engagement**
  - # of calls
  - # of dentists visited
  - Average calls / dentist

- Within detailing spends, ***sampling spends were found to have significant impact on sales. Hence these spends should be increased***

- On the engagement axis, the model revealed that it was not about the quantum of calls or dentists, but about the ***quality of engagement that really influenced sales***

Cogitaas

Building Optimal Portfolio Strategy

How do we bring together all learnings on our brands and competition to build an optimal portfolio strategy that can help in the short run as well drive long term growth?

Build on Brand's strengths and weaknesses

+

Defend against key competitors

+

Optimize Investments

↓

Portfolio Strategy

Cogitaas

Portfolio Strategy and Results

Long Term

Penetration Strategy

Increase penetration through small pack

Positioning Strategy

Disproportionate investment into detailing & expert spends
Build "XYZ" or other basic benefits into offerings

Short to Medium Term

Competitive Strategy

Increase TV GRPs

Pricing Strategy

Bring down effective price point through promotions

After 8 months into implementation, the premium brand **successfully grew by 20% ($5.6 Mn)** and was well set to face any new competition

Cogitaas

THANK YOU!

Email: contact@cogitaas.com

Cogitaas