Procter & Gamble in Japan: From Marketing Failure to Success

Procter & Gamble (P&G), the large US consumer products company, has a well-earned reputation as one of the world's best marketers. With its 80-plus major brands, P&G generates more than $37 billion in annual revenues worldwide. Along with Unilever, P&G is a dominant global force in laundry detergents, cleaning products, and personal care products. P&G expanded abroad after World War II by exporting its brands and marketing policies to Western Europe, initially with considerable success. Over the next 30 years, this policy of developing new products and marketing strategies in the United States and then transferring them to other countries became entrenched. Although some adaptation of marketing policies to accommodate country differences was pursued, it was minimal.

The first signs that this policy was no longer effective emerged in the 1970s, when P&G suffered a number of major setbacks in Japan. By 1985, after 13 years in Japan, P&G was still losing $40 million a year there. It had introduced disposable diapers in Japan and at one time had commanded an 80 percent share of the market, but by the early 1980s it held a miserable 8 percent. Three large Japanese consumer products companies were dominating the market. P&G's diapers, developed in the United States, were too bulky for the tastes of Japanese consumers. Kao, a Japanese company, had developed a line of trim-fit diapers that appealed more to Japanese tastes. Kao introduced its product with a marketing blitz and was quickly rewarded with a 30 percent share of the market. P&G realized it would have to modify its diapers if it were to compete in Japan. It did, and the company now has a 30 percent share of the Japanese market. Plus, P&G's trim-fit diapers have become a best-seller in the United States.

P&G had a similar experience in marketing education in the Japanese laundry detergent market. In the early 1980s, P&G introduced its Cheer laundry detergent in Japan. Developed in the United States, Cheer was promoted in Japan with the US marketing message--Cheer works in all temperatures and produces lots of rich suds. But many Japanese consumers wash their clothes in cold water, which made the claim of working in all temperatures irrelevant. Also, many Japanese add fabric softeners to their water, which reduces detergents' sudsing action, so Cheer did not suds up as advertised. After a disastrous launch, P&G knew it had to adapt its marketing message. Cheer is now promoted as a product that works effectively in cold water with fabric softeners added, and it is one of P&G's bestselling products in Japan.

P&G's experience with disposable diapers and laundry detergents in Japan forced the company to rethink its product development and marketing philosophy. The company now admits that its US-centered way of doing business no longer works. Since the late 1980s, P&G has been delegating more responsibility for new-product development and marketing to its major subsidiaries in Japan and Europe. The company is more responsive to local differences in consumer tastes and preferences and more willing to admit that good new products can be developed outside the United States.

Evidence that this new approach is working can again be found in the company's activities in Japan. Until 1995, P&G did not sell dish soap in Japan. By 1998, it had Japan's best-selling brand, Joy, which now has a 20 percent share of Japan's $400 million market for dish soap. It made major inroads against the products of two domestic firms, Kao and Lion Corp., each of
which marketed multiple brands and controlled nearly 40 percent of the market before P&G's entry. P&G's success with Joy was due to its ability to develop a product formula that was specifically targeted at the unmet needs of Japanese consumers, to the design of a packaging format that appealed to retailers, and to the development of a compelling advertising campaign.

In researching the market in the early 1990s, P&G discovered an odd habit; Japanese homemakers, one after another, squirted out excessive amounts of detergent onto dirty dishes, a clear sign of dissatisfaction with existing products. On further inspection, P&G found that this behavior resulted from the changing eating habits of Japanese consumers. The Japanese are consuming more fried food, and existing dish soaps did not effectively remove grease. Armed with this knowledge, P&G researchers in Japan went to work to create a highly concentrated soap formula based on a new technology developed by the company's scientists in Europe that was highly effective in removing grease. The company also designed a novel package for the product. The packaging of existing products had a clear weakness; the long-necked bottles wasted space on supermarket shelves. P&G's dish soap containers were compact cylinders that took less space in stores, warehouses, and delivery trucks. This improved the efficiency of distribution and allowed supermarkets to use their shelf space more effectively, which made them receptive to stocking Joy. P&G also devoted considerable attention to developing an advertising campaign.

**Case Discussion Question**

1. How would you characterize P&G’s product development and marketing strategy toward Japan in the 1970s and 1980s. What were the advantages of this strategy? What were the drawbacks?
2. How would you characterize the strategy since the early 1990s? What are the advantages of this strategy? What were the drawbacks?
3. Which strategy has been more successful? Why?
4. What changes do you think P&G has had to make in its organization and company culture to implement this strategic shift?
5. What does P&G’s experience teach us about the argument that consumer tastes and preferences across nations are covering and global markets are becoming more homogeneous?