

Chapter 9

LOOK UNDER “M” FOR MARKETING

**LESSON: DON'T BE AFRAID TO REPLACE
THE WAY THINGS WERE WITH THE WAY
THEY SHOULD BE.**

I knew I was in trouble at Scott Paper when I started talking about marketing and everybody ran back to their offices and looked in the dictionary under “M.”

Early on, when I held meetings with the marketing committee. I'd say, “What are our plans?” This would be greeted by blank stares and long silences. Here was a company that apparently forgot that its business was marketing products. When I talked about marketing, they talked about tons. Everything was tons. “Oh, we produce this many tons and we sell them at the best price we can.”

As I visited our international plants and operations around the world, whenever I brought up profits, somebody inevitably would say, “Well, we sold this many tons.”

“What's our margin?” I'd ask.

“Can I get back to you on that?” somebody would say. But they never did. We didn't even speak the same business language. And they didn't think in terms of Scott brands—improving or growing one or the other. They were trying to wheel and deal the price of a ton of paper as opposed to viewing the tons as an intermediary step to finished, branded products that command a greater markup.

Their other insanity was a preferential attitude toward private labels over our own brands. Scott sold a third of its manufacturing output to private labels or store brands.

Why? We had capital in place that required a gross return on capital of at least 20 percent. But instead of selling Scott products, which provided double the margins of private labels, they settled for half that return, from no-name generic store brands.

They bragged to me about selling all this product, but that was crap because they sold it all for nothing! They were throwing away a third of Scott's capital assets for no good return.

The challenge we faced was not only to sell all the production but to sell it in a universal branded form around the world. And to do it at reasonable margins that generated an adequate rate of return for the company and its shareholders.

As Scott's branded products went down in sales, the old management moved more production into private label products, in order to sell the tons. So not only did the sales dollars go down, the margin dollars fell, too. It was a never-ending spiral because we weren't increasing sales of the branded product.

We had *engineers* doing marketing, a mismatch if ever there was one, and it was reflected in lousy advertising, miserably packaged products, and no new product innovations. Is it any wonder that we rebuilt the marketing department from scratch?

One of our greatest challenges in marketing was the conversion of Scott's industrial culture from that of a paper producer to one of a consumer products company. Instead of seeing ourselves as manufacturers of generic paper products, we had to recreate our image as the proud proprietors of branded household names such as Scotties, Scott-Towels, Viva, and Cottonelle. The previous management had obviously lost sight of this image; there hadn't been a substantial advertising campaign for any brand, except Andrex in the United Kingdom, for more than a decade. In fact, our brands were declining worldwide, and our profit margins were eroding. The old Scott consumer business was well on the way to extinction.

That's where Dick Nicolosi, whom I hired as senior vice president of Scott's Worldwide Consumer Products Business, became so important. The veteran Procter & Gamble executive analyzed our products and technology, in search of the pearls of value: profitability leverages and growth opportunities. They were there, but

they were hidden within a mindset and a prevailing belief that Scott just sold tons; tons was the name of the business. Looking at the business category by category around the world, Nicolosi recognized that we had to take immediate action to staunch heavy bleeding.

I'm real good at doing the nuts and bolts of running a corporation; Nicolosi's talent is conceptualizing and implementing marketing strategies and business plans. Working together at Scott, we were an example of how $1 + 1$ can equal 3 or even 4.

Nicolosi put in place a product strategy that focused on three core product lines: bath tissue, towels, and wet wipes. Every product would be fine-tuned or overhauled and then repackaged and re-launched under his direction. He had to start from scratch because Scott did not have a marketing strategy.

When you play a sport, you have a game plan. I play tennis. I always know what I am going to try and do during the course of a match. I may have to adjust as the game goes on and I learn things about my opponent's strengths and weaknesses. That new knowledge requires changing the game plan. But I always have a plan to win.

The same is true of winners in business. Call it a strategy, an operating plan, or even a recipe; regardless of the name, it's a roadmap for success based on knowing what you do best versus the competition, and recognizing customer needs. Scott had no strategy. Not on an individual brand basis, not on a collective brand basis, not on a global basis. Nicolosi's first job was to construct global strategies for the consumer business. Absent that, we might as well have locked the doors and walked away.

Scott had twenty-seven brand names in America—but that wasn't a reason for bragging. The company actually had created a vexing problem: Many similar Scott products were known by different names. Consumers could buy Viva paper towels in Connecticut and in Washington State, but the name might be slightly or completely different—and the quality radically different. A total hodge podge. Same problem in Europe and Asia. Logically, everything should have been the same name; if nothing else, it was cheaper to advertise and manage one name.

Viva was a crap product in the Eastern United States and a good product in the Midwest and part of the West, but it didn't exist in the Southwest. And its quality was inconsistent from market to market. One version would be softer, one more absorbent. A consumer who picked up the product in New York would try it and say, "This is terrible! I'll never buy it again!" It would be like buying a Coke on the east coast and it's caramel colored, and buying one on the west coast and it looks and tastes like watered-down iced tea. Someone who had the watered-down iced tea once would never buy it again. It would poison the predisposition of the consumer forever. And every consumer is going to tell his or her share of people, so this quality problem spreads like wildfire.

Viva paper towels in the Western United States were made with the best technology available in America, and it was the highest quality product of its kind. With proper marketing know-how, Nicolosi said, Viva should have been No. 1 in its category. Scott had the technology for decades but didn't have the brains to get word out to consumers. It was truly remarkable how blind and nonproactive this company was. Nicolosi consolidated Job Squad towels into Viva and added a highly effective scrub cloth from the Away-From-Home business.



Our new strategy became "Scott the World Over." We established a new consistency in bath tissue, towels, and facials, instead of a multiplicity of names and qualities throughout the world. Coke has that strategy. You can buy a Coke in Zimbabwe or Duluth and it's always Coca-Cola. We believed Scott had a great franchise name and our products should be Scott the world over.

The worldwide branding issue should have been dealt with years earlier, but the previous management was too bogged down needlessly expending capital and seeking executive consensus on all issues. No one was manager in charge of breaking the logjams or ties. They were all in endless détente. Because of that, the same product was marketed and sold in different ways in different places. That fragmentation around the world prevented Scott from truly becoming a

global brand. It was not positioned; it was not marketed or advertised as one brand. These people—more than a dozen people were making these decisions—did whatever they wanted. And whenever any one of them was questioned, a finger got pointed at somebody else.

This is a fundamental problem in many companies that have brands throughout the world: They don't have a worldwide, coherent plan and positioning for their product. In one area of the world, it may be viewed as junk; in another area of the world, it may be viewed as a premium product. But what does it stand for? That's the beauty of Coca-Cola—you know what it stands for, worldwide.

In late 1995, Pepsico Foods apparently came to the same conclusion we did. Its dominant soft drink, Pepsi, is known the world over, but its potato chips went by different names. In Britain, it was Walkers Crisps; in Mexico, Papas Sabritas; and in Spain, Matutano. Like us, it repackaged and relaunched its product under one label—Lay's chips.

Scott, a company with operations in twenty-two countries and product sales in eighty countries, had lost the benefit of being a big global operation in an evolving world economy.



While we were repositioning products and adding new ones, we also made significant decisions about eliminating products.

We dropped tissue product lines such as Family Scott, a regional brand in the West and Southwest that had no distinctive identity and actually competed with the Scott line. We also discontinued Chelsea, in the West; the brand was sold mostly in select trade channels, such as warehouse clubs.

You won't find our moisturizing cream, 24 Hours, on the shelves anymore. Gone, too, is Scott toilet bowl cleaner. Also missing in action: Scott training pants for small children, and Promise, our adult diapers. All were poor-selling, ill-marketed efforts.

We saw no advantage in each of our paper brands—Scott, Viva, and Cottonelle—being in the dinner napkins business. It was a low-margin category that drew valuable capital resources away from other things. We retooled it to one product, Scott napkins.

In western Canada, just across the U.S. border, we had Purex, a Canadian toilet tissue brand that existed nowhere else. In eastern Canada, we didn't produce Purex; our brand there was Cottonelle. For some stupid reason, we didn't produce Scott in Canada at all. Purex became Scott Purex, then Scott by Purex.

Being so spread out kept Scott from maximizing its business and marketing investment. Redundancy and duplicity flourished across the board. Plus, we had a confusing plethora of different stock keeping units, or SKUs, because we had different products with different packages and different market positions for each. It was a fragmented global business that would reinvent the wheel 100 times without getting any economies of scale or leverage in the global marketplace.

In all, we eliminated 31 percent of the consumer product items we had offered, while creating, reformulating, or repackaging 107 products that sold better and were more profitable. In total, our worldwide finished product inventory levels actually went down by almost 25 percent.

Reducing the volume of different products cut our total sales, but the remaining product mix went on to sell over half a billion dollars more than they ever had before—at twice the profit margin.

Combined market shares of Scott Tissue and Cottonelle grew to roughly 20 percent; Scotties grew to 7 percent; and once we solved its consistency problems and made Viva a high-quality towel across the United States, the brand rose almost two share points, up over 30 percent in less than a year's time. Meanwhile, our Away-From-Home products for commercial and industrial markets showed sweeping increases in product variety, geography, and sales.

The one product that still worked hard for the company was Scott Tissue, which we renamed Scott 1000s (referring to the number of sheets in each roll of toilet tissue). Despite years of neglect and great efforts to tank that business, it had held up and was a substantial, ongoing profit center. It became a cornerstone from which we could build a healthy product as opposed to yet another patient in intensive care or on its deathbed. We broadened the architecture of Scott

toilet tissue products through line extensions: Scott 1500s; Scott Moist Cloths; and Scott Extra.

Cottonelle was another tissue brand that refused to die, a regional as opposed to a national brand. The brand had two different formulas, one that was positively and enthusiastically accepted by consumers and another that was not. So we had a brand that had a neat name, decent positioning in limited markets, and a real viability to be nurtured and expanded. We restaged the Cottonelle brand around the concept of advanced personal hygiene—a breakthrough new concept for bath tissue. While other products talked “squeezeable” and “angel” softness, we were the first to bring a new benefit to the category. We introduced a series of brand extensions, including a hypoallergenic product and another that contained baking soda. We also laid out plans for an antibacterial Cottonelle product.

The relaunch worked. Retailers gobbled up every case of Cottonelle we could make—product often never even made it to the warehouse. It was sent straight to trucks and on to the stores. Our warehouses collected no dust once we revitalized these products. We took Cottonelle from being a regional, multiproduct, unfocused brand to one that was national and at the head of its class in terms of growth.

Some people asked why we didn't put the Scott name on Cottonelle when we took it national. That was a judgment call. Nicolosi and I felt that Scott stood for a different set of values and had a different character than Cottonelle. Scott was what we'd call an “honest American value.” It had the tradition of something long-standing and trustworthy, a utilitarian product that had achieved credibility by enduring for decades. Cottonelle, by contrast, cost a little more and attracted a more upscale consumer who had much more sophisticated needs.

As we did our market segmentation work, we concluded that there was a role for a no-frills brand—Scott 1000s—as well as Cottonelle, which represented added values all driven by chemistry.

The two products were distinctive in personality and character, distinctive in positioning and consumer appeal. That convinced us to support both brands.

On products we continued producing, Scott achieved sales growth of 24.5 percent and tissue margins of 20.4 percent in less than two years.



Our goal in marketing was to build not only a sense of competitiveness but of winners. As soon as our marketing department felt some self-esteem and developed some courage, it would succeed big-time.

Momentum was key for rebuilding this part of the organization. That's why we hired fourteen experienced marketing directors with history at Kimberly-Clark, Procter & Gamble, Colgate-Palmolive, and Coca-Cola.

We reorganized the marketing hierarchy by category of business. For the first time, we had a person in each category responsible for profit and loss, volume, share, dollar sales, margins, inventory, and so on. It was as if he or she owned a small paper towel or bath tissue business. Each person made decisions and was accountable to improve P&L, volume, share, and margin. The second thing they were accountable for was working with their colleagues in Europe and Asia to make sure that the best ideas overseas were being used in the United States, and, conversely, that the best ideas in the United States were being applied in Europe and Asia. A good idea would be a bang heard 'round the world, as opposed to a cap pistol shot that barely made a sound.

We got higher productivity out of those who remained on the team because we assigned personal accountability for product development by group and by category. Before, a group of people had sat around indulging themselves with scientific curiosity, posing questions like, "Wouldn't it be neat to see if this could be done with paper?" They lacked a vision for how the consumer would benefit, or how the product could be translated into something the consumer would want. They never worried about whether the market was big enough to justify developing the product, either. So we had situations where they had created nifty little inventions that only ten people in all the world wanted.

As I mentioned earlier, the consumer business at the old Scott was at war with the Away-From-Home business. New products in the Away-From-Home business would be ignored by the consumer side out of pride—or maybe jealousy. They just couldn't condescend to use Away-From-Home inventions.

We said, "A good idea is a good idea. Who cares where it's from? All we're counting is the total number of dollars we make in the marketplace." All of a sudden, new ideas were like low-hanging fruit.

The breakthrough idea was this: Away-From-Home industrial products were often superior-performing consumer products because they had to do double duty. They had to succeed in stressful, torturous situations. Interestingly enough, that made them all the more successful as consumer products, because a meaningful percentage of consumers always want the Mercedes-Benz of performance. So we had a lot of product development that was already done but Scott wasn't using it.

Those two factors made an enormous opportunity for us in the first eighteen months.

Nicolosi also looked at our Baby Fresh product, a premoistened hygienic tissue for wiping babies. It was a technologically advanced product that released a microencapsulated lotion as the baby was cleansed, leaving a protective layer on the baby's behind to prevent diaper rash. No other competitor had this product but consumers didn't even know it existed! We closed this gap with advertising, and Baby Fresh regained category leadership in the U.S. market.

For nine years, Scott had been sitting on advanced technology for manufacturing moistened toilet tissue, but never marketed it. Nicolosi supervised its release as Cottonelle Moist in the United States and Andrex Moist in the United Kingdom. (Andrex was a particularly strong brand name in the United Kingdom and we stood by it.)

We estimated the potential market for moist tissue was at least \$1 billion. Why? Traditional dry toilet tissue doesn't clean, it wipes. We believed most households would stock both, once they understood the advantages of moist toilet tissue. It will be years before anyone knows if we were right.

One problem in exploiting the potential of moist tissue was inventing a dispenser that handled both dry and moist toilet tissue but fit into a traditional dry-only toilet paper dispenser. I told my marketing and R&D people that when they figured that out, the home marketplace would be at our feet.

They agreed and immediately created prototypes and began consumer testing.

The bigger problem was that Scott couldn't afford to effectively market new products such as these as long as it was pouring hundreds of millions of dollars into capital projects such as S.D. Warren and the Mobile, Alabama, co-generation energy plant. (See Chapter Five, "Rule 3: Know What Business You're In" for more detail.)

Scott had reached a point where it couldn't afford to invest and improve its branded products, which exacerbated their decline. It was like having an artery cut on your arm. You bleed and bleed, getting weaker and weaker. All of a sudden you can't run anymore, then you can't walk anymore, then you die.

While I worked on unloading costly assets and redirecting capital toward value-added endeavors such as product exploitation, Nicolosi reapplied core competencies in the areas of leadership, marketing, business strategy, and analysis. He also recognized that we were spending way too much in trade or co-op funds and rechanneled about \$100 million into advertising and consumer promotion efforts without spending an extra dime in total. Instead of giving money directly to retailers in the hope that they might market our product (a common retail practice), we did the advertising and drove the demand ourselves. Then it was up to retailers to either meet consumer needs or lose business to stores that did. We took moneys we were already spending and spent them more wisely and more strategically.



Some things, like developing advertising for a brand, or new package designs and market positioning, take more time than others. Even before we had a strategy, we appointed new global advertising agencies and assigned our brands to packaging-design houses so

that we could get that work under way. Operating concurrently, we avoided the dead time of doing these things sequentially. Part of the challenge was thinking through all that stuff: Which decisions could be implemented simultaneously and which ones had to be sequenced?

Part of the reason Scott was so disparate in Europe was that the company's original strategy had been to partner with local companies rather than build facilities and products from scratch. This made the company a 50/50 owner in many existing brands. In the late 1980s, Scott management maximized its investments and bought the other 50 percent of most of its European companies. Where it fell short, until I came along, was in establishing the Scott brand across all these product universes. Even when 100 percent Scott ownership went into effect, every country's producer was left to its own devices.

Also complicating Nicolosi's task: Each country has its own needs when it comes to products such as toilet paper. The Dutch want plain white paper, but in Belgium, the only product that sells is imprinted with designs. In France, there are five different colors that sell, and each has a different perfume. Meanwhile, German consumers insist on four-ply paper.

The width of a toilet paper roll also varies from the one we use in North America. Some countries use a model that is $\frac{1}{8}$ " smaller; in others it's $\frac{1}{4}$ " smaller. That requires different machines. So wherever we could consolidate to one size, we saved a ton of money.

Scott was a strong brand in countries such as Italy, Spain, and Belgium. In the past, there had been also a halfhearted introduction of the Cottonelle brand without a distinctive marketing and advertising campaign—the company's first move to have a worldwide brand name.

The thing that surprised almost everyone, in the company and out, was how little consumer resistance there was to pushing the Scott name above regional brands.

Even more fascinating, as old borders to eastern Europe broke down, we found that English-language brand names such as Scott were eagerly scooped up because the name immediately suggested quality in places where standards in the past were not as high.

As one part of the “Scott the World Over” campaign we plotted to make Scott facial and toilet tissue and paper towels as ubiquitous around the globe as McDonald’s or Coke. Just as Scott put out different toilet paper brands within the United States, we owned an entire roster of names around the world. We produced Andrex bath tissue in the United Kingdom, Servus in Germany, Page in the Netherlands, Popla in Belgium and Luxembourg, Scottex in continental Europe and in parts of Asia, and Sujee in Taiwan.

As in Canada, our first step with these various brands was to put the name “Scott” before them and gradually have the Scott name grow and the regional brand shrink until it disappeared altogether.

Every single package was changed. Every single brand was repositioned.

Each regional and international brand required unique advertising and marketing campaigns. Many of these brands were started by Scott companies; some were acquired but the previous management never moved to consolidate them. In the United States alone, we had the same brands with different products in different parts of the country. We had brands that weren’t national so we couldn’t effectively sell them in the national accounts, the Wal-Marts, the Kmart. This hodge podge prevented us from maximizing the business in any way, shape, or form.

The amount of money being spent as a result of this scattershot approach was criminal. At one point, we had eleven different ad agencies around the world. When we cut to three proven worldwide agencies, we saved millions in agency fees. And whereas the previous management had spent \$14 million annually in worldwide market research, we reduced that amount to less than \$3 million a year and got results.

Marketing Scott across Europe was pretty easy, as long as we stuck with universal themes such as kids, dogs, and cats. They can sell anything around the world.

It was terribly important that the entire organization know there was only one strategy for the brands and only one set of products around the world, and that there would be no equivocation on that

approach. This actually made our worldwide job easier and allowed us to operate even more effectively with fewer personnel.



The marketing lessons from Scott Paper were:

1. Define what the problem is.
2. Define alternative solutions to the problem.
3. Evaluate the possible solutions.
4. Pick the best solution you are going to lock and load on, and execute it right away.
5. Quickly develop a winning cadre of people who will play ball with you and your organization; encourage a winning attitude, strong self-esteem, and the courage to take risks.
6. Establish goals that stretch traditional expectations.
7. Hold the marketing staff accountable for achieving these goals without equivocation; teach them to live by the following ten two-letter words: "If it is to be, it is up to me."
8. Establish a strong monitoring and control system so you know what is happening, when, and where; if there is a problem you will then know about it quickly and can take action before it becomes bigger or gets out of control.

