

# PANTENE

PRO-V for hair so healthy it shines



Media Plan  
Fall 2006

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The logo features a stylized, flowing golden ribbon graphic that curves upwards and then downwards, resembling a flame or a ribbon. The word "PANTENE" is written in a bold, black, serif font, with the ribbon graphic passing through the letters. Below "PANTENE", the words "PRO-V" are written in a smaller, black, sans-serif font.

**PANTENE**  
PRO-V

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# Executive Summary

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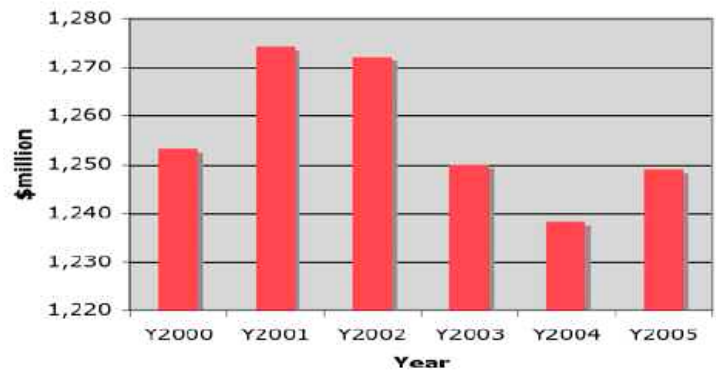


# Situation Analysis

## The Industry Sales

Sales of shampoo have been in a general decline since the turn of the century. In the 1990's, manufacturers of shampoos and conditioners saw a consistent annual growth of around 5%. In 2005, the shampoo industry earned \$1,273 million in sales, a 0.3% increase for 2003, thus indicating stagnation within the industry. The industry's slow growth is more likely a case of market saturation. Penetration rates for shampoo have reached well over 90 percent. Growth in market generally depends on growth in population, an increase in frequency of usage or for consumer to consume higher-prices products. Fortunately for shampoo producers, the US does have a growing population. From 2000 to 2005, the number of US consumers grew 5 percent, and it is estimated that between now and 2010 there will be another 9.4-percent increase. It is suggested that while people are logically still buying and using shampoo, they are purchasing shampoo outside of grocery and retail stores, for example, that are outside of tracking range. Based on current prices, a key determinant in the purchase of shampoo based on consumer assumption that all shampoos are alike, shampoo sales have decreased since the turn of the century, but increased by 0.9% from 2004-still an insignificant change in growth further demonstrating the stagnant sales of the shampoo industry. Shampoo companies have decided to create higher end brands in the hopes of generating higher margins. But while there have been a few high-end shampoos experiencing impressive sales growth, they have done so by cannibalizing on other high-end brands. Thus, overall market sales have remained stagnant.

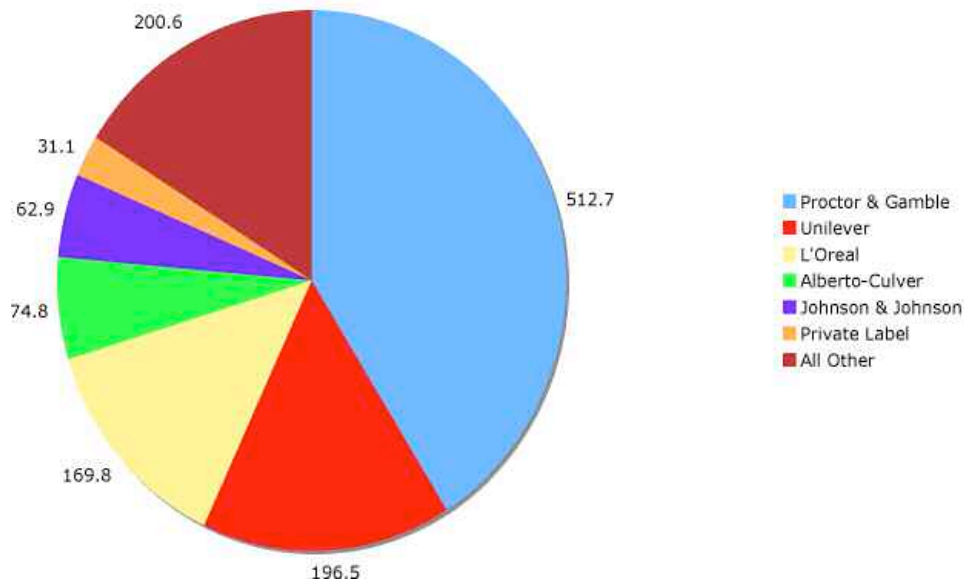
**Figure 3: Sales at Current Prices**



## Market Share and Industry Leaders

The shampoo industry houses many competitors that are seeking to increase market share during a period of stagnant growth. Proctor & Gamble leads the industry more than two-fold pulling in \$512.7 million from the \$1,249 million industry in 2005, accounting for a share of 41.1% of the market (See Figure 2). According to Mintel's report on the shampoo industry in 2005, P&G's numbers assume a safe position within the market, but L'Oreal sales increased 37% between 2003-2005 and Albert-Culver's TRESemme and Nexxus brands have fared successful in gaining leverage within the industry. In addition, John Frieda, although not a top competitor as of 2005, doubled shampoo sales within 2 years from 2003-2005 showing promise for

Figure 3: Shampoo Sales in U.S. (2005) \$Million



future market share claim. According to the reports findings, this presents a cause for concern for leading P&G because while Pantene and Head & Shoulders had strong sales growth, Daily Defense and Renewal 5X were discontinued and Herbal Essences and Pert faced declines. Thus, the discontinuation of brands coupled with sales declines from two pertinent brands puts P&G in an unsteady position as the competition is making attacks their successful brands.

## Media Spending and Placement

Media buying for the past two years have made Unilever's Dove an industry leader. Dove spent the most advertising dollars, over \$30,072,300 dollars, in media placement followed by Proctor and Gamble's Pantene Pro-V at \$28,396,400. Clairol's Herbal Essence rounds up the top three industry leaders with \$5,315,200 dollars used for media spending. According to CMR data, the shampoo industry relies heavily on media placement in magazines, cable television and network television to advertise their products. Outdoor advertising is not a commonly used media placement outlet. Industry information for the past two years suggests that there are no seasonal trends when it comes to media buying. It is interesting to note that shampoo companies increase media spending and placement whenever they launch a new campaign, product or create a brand extension.

## Industry Trends

### *Launching shampoo product line extensions*

One industry trend is that companies are feeling more confident about launching new products or product extensions. An affirmation of this notion is that the numbers of new shampoos introduced to the market doubled in 2005. There were a total of \_\_\_ new products introduced to the market in 2000 and over \_\_\_ five years later. The diversification and product extensions of both new brands and those re-launched has opened up the market to advances in technology and creativity that focuses on finding niches that meet

consumer needs based on ethnicity, gender and hair type, for example. Trends point toward the importance of products that contain natural ingredients and positioning, focus on hair type/color focused, and cater to children. According to Mintel's 2005 shampoo industry report, gearing the product toward cleanliness and structure are no longer sufficient to survive within the industry, but now companies must also tailor products to focus on hair "styling".

### *Launching botanical and herbal-based shampoos*

As Americans move toward a trend that calls for a healthier, more natural lifestyle, the shampoo industry has inundated the market with products containing a botanical or herbal positioning. Figure 1.1 indicates that shampoos with a botanical/herbal position have the largest number of products from 2000-2005. This saturation indicates a trend that consumers are living healthier lifestyles and are avoiding chemical-based products. The new trends also indicate the fact that vitamins are an essential component to successful shampoos. While this does not necessarily mean that these shampoos are "all-natural," consumers seem to have taken a liking to products with tea extracts like those found in Alberto-Culver's VO5 Tea Therapy, those with fruit extracts found in Herbal Essence's Citrus Lift Shampoo, or citrus extracts like those found in Garnier's Fructus products. Thus, while consumers may not be researching the lack of "all-natural" components of such products, the aroma and multivitamin promises, for example, are enough to cause this product category within the shampoo industry to flourish.

**Figure: 1.1**  
**Tends in Shampoo Positioning.**  
 Number of new shampoos in the US by Product Claim 2000-2005.

Claims	No. of Claims
Botanical/Herbal	148
Vitamin/Mineral Fortified	103
Premium	61
Organic	33
Ethical	28

### *Launching shampoos for preserving color in*

#### *Color-treated hair*

Based on Mintel's reporting, 33% of women surveyed indicate that their hair is colored.

Consequently, another Industry trend is that companies are focusing on shampoos catering to women with color treated hair. One of the responses is the introduction of shampoos that claim at color preservation. Pantene Pro-V's Expressions and L'Oreal's ColorVive were launched in 2005 and keep color from fading while positively effecting company sales. Furthermore, John Frieda has taken the role of raising awareness of natural hair color through lines designed specifically for blonds, brunettes and redheads while the Expressions line introduced a line for silver/gray hair in 2006 for an increasingly older target market.

### *Launching shampoos that correct the damages of styling equipment.*

Another industry trend is that women are using shampoos that correct the damage caused by hair-styling equipment. Aside from color treatment, women also face the hair damage caused by heating appliances for styling purposes like curling irons and blowdryers. Mintel suggests that in 2005, 85% of females owned a



blowdryer, 66% a curling iron and at least 20% owning hot rollers, straighteners and foam curlers. Use of such equipment prompted hair industry to product products that correct fried and damaged hair. In addition to heat styling equipment, seasonal changes in weather also contribute to hair damage. Consequently, brands like Pantene Pro-V have attempted to resolve this issue by producing shampoos like Pantene Pro-V UV Rescue After Sun and Winter Rescue shampoo.

### *Launching shampoos geared at achieving desired hair styles*

Another trend is that shampoos are no longer focusing on just cleanliness. Shampoo companies are now adapting their shampoos to meet the different consumer hair-styling trends. L'Oreal, for example, has created Vive-Pro, a hair-care line that corrects hair problems (lack of volume, frizz control, lack of shine). For consumers who desire a style without the use of other hair products or equipment, the Pantene Pro-V has created Hydrating Curls and Garnier Fructis created Long and Strong, both leave hair manageable and give the wearer a natural look. Consumers wanting to correct other hair imperfections can use a variety of shampoos tailored to fixing their specific hair dilemmas.

## Consumer Trends

According to Simmons data, over 94% of adults in the U.S. use shampoo and this number is not expected to decrease in the future. This number is expected to increase if product differentiation can further cater to those who currently do not use shampoo. Many variables including race, gender, purpose and extenuating circumstances dictate brand and product choice as well as usage rates.

### *Consumer Gender influences shampoo usage*

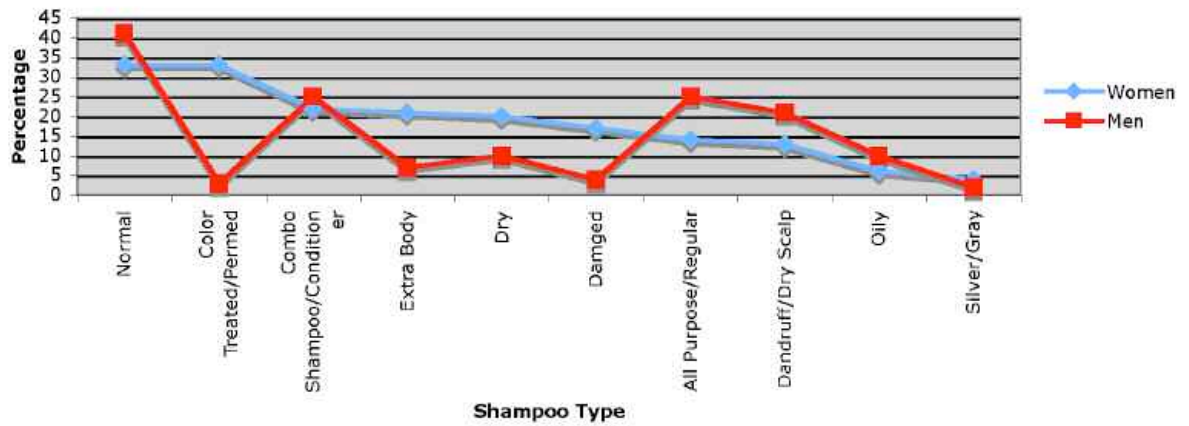
Based on results from 24,126 adults age 18 or older, over 96% of women use shampoo compared to 94% of men and obviously fairs well across both genders. However, men and women use shampoo for very different reasons. Both men and women use the product 5-7 times per week , but the reasons they use shampoo differ greatly. Men are prone to using "Normal" and "All-Purpose/Regular" shampoos while women are more likely to use "Color Treated/Permed" and "Combo Shampoo/Conditioner" shampoos. Figure 3 gives specific date or the types of shampoos used based on gender.

### *Consumer Ethnicity is influencing shampoo usage*

A break down of ethnicity, again based on 24,124 adults 18 or older, indicates that 95% of whites use shampoo, 87% of African-Americans, 97% of Asians and 93% of Hispanics. This variation among ethnicities indicates that there are different hair needs that the industry needs to address in order for consumer to get the appropriate hair care. Pantene has addressed this segmentation through the advent of Extra Liso for Hispanic women. This product addresses the needs of a specific market meets specific hair care needs that are lost among other brands. African-American women, however, fall into a much harder market to reach because they shampoo less frequently and tend to purchase their hair care products from African-American salons.

Figure: 1.1

Figure 3: Types of shampoo used based on gender



### Consumers are living longer

Consumer age also factors into the industry based on the idea that people are living longer and use shampoo for a longer period of time. After the age of 64 and 54 respectively, both men and women use shampoo less frequently. As a result, the shampoo industry has created products to meet gray/silver hair types and specific products that promote nourishment and hair revival.

### Consumers following hair care “myths”

There are myths and consumer opinions that dictate shampoo use. Of the 2,001 adults 18 or older Mintel surveyed, most consumers (89%) believe that shampoo needs to lather up well in order to be effective. Approximately 59% think that shampoo with natural ingredients works better on hair, while 57% believe that hair is healthier if it is not washed everyday. Additionally over 30% of shampoo users believe that any brand will achieve the same result. Men made up most of this 30%.

### Consumers are using Suave, Pantene Pro-V and Head & Shoulders shampoos

Based on Simmons data, Consumer trends indicate that the brands most heavily used over a seven-day are Suave, Pantene Pro-V and Head & Shoulders respectively. It's interesting to note that a higher percentage of African-Americans used Dark & Lovely and “other shampoo” brands than the total sample. This fuels the idea that niche products are critical for the current industry and the future of shampoo brands. Preference and loyalty is lean to those shampoo companies who cater to specific hair types.

## Price Trends

Premium brands were generally only available in beauty salons but are now becoming increasingly available in FDM channels. Consequently, more and more consumers are being exposed to these high-end products. Shampoo companies are taking advantage of consumers who are, apparently, unabashed by higher price tags. Price trends seem to indicate that consumers are becoming more concerned with quality rather than quantity. From 2000 to 2005, the average price of premium shampoos increased by over 9.2%, which was

nearly the same increase experienced by the regular (7.3%), mid-level (1.5%) and low-priced (1.2%) shampoos combined.

## Forecasting the Future Market

While the hair care market is expected to experience a 28% compound annual growth rate over the next five years (Datamonitor), the outlook for the shampoo sector is less optimistic. Mintel predicts FDM sales of shampoo and conditioner to grow from \$2.06 billion in 2005 to \$2.1 billion by 2010. While this represents a 2% increase in current terms, it equates to a decline of 13% in constant terms.

## Distribution Channels

Shampoos are sold mainly in supermarkets and hypermarkets, but pharmacies and drug stores have been cutting into their market share in recent years. In 2005, 46% of shampoo sales took place in supermarkets. Pharmacies and drug stores accounted for 31% of sales, which represented a 7.4% increase from 2003.

# The Company

## The History of Proctor & Gamble

William Proctor and James Gamble founded a business partnership on October 31, 1837 in Cincinnati, Ohio. With a background in the soap and candle industries respectively, the partners embarked on a then-unforeseeable groundbreaking role in the household product industry. Two centuries later, Proctor & Gamble (P&G) is the world's number one maker of household products, boasting over twenty brands, the largest percentage share of the market and a multi-billion dollar portfolio.

The history of P&G is segmented across different eras of growth. The early days (1890-1945), brought innovation that included in-depth understanding of consumer needs and a pioneering approach to market. From 1945-1980 the company saw even more expansion by infiltrating new product categories in new lands as an international focus developed. The latter part of the twentieth century was one of the most critical phases P&G embarked on and saw the globalization of its company. The company was ready to compete with the modern marketplace and quickly became one of America's largest multinational corporations.

During this era, P&G would emerge as an important new player in health care as well as in cosmetics and fragrances. Most importantly, they would establish a worldwide research and development network and seek to build a solid foundation of global brands. The P&G billion-dollar brands, cultivated under the idea of "touching lives, improving life," include: Afta, Bounty, Charmin, Crest, Downy, Folgers, Iams, Olay,

Pampers, Pringles, Tide and Pantene Pro-V. Some of the company's largest acquisitions include Clairol in 2001 and their biggest company purchase to date, Gillette, in 2005.

## Sales

According to Proctor & Gamble's 2006 Annual Report, fiscal year sales results state that P&G delivered on its 5th consecutive year of sales growth. P&G also achieved free cash flow productivity at or above the company's stated targets (Figure 3.2) and net sales increased 20.2% to \$68.22 billion (Figure 3.1). From 2003 to 2004, Pantene Pro-V fell in line with the sales-increase trends of its parent company. In 2003, Pantene accounted for \$215.5 million of P&G's \$539.3 million shampoo segment, accounting for 17.3% of the share. In 2004, it amassed a 17.8% share (\$218.9 million) of P&G's shampoo segment (\$512.7 million in sales). Thus, while P&G sales decreased by \$27 million and market share dropped by 5% in the shampoo industry, Pantene Pro-V indicates promise based on a sales and share increase (Mintel).

**Figure: 1.1**  
**Figure 3: Types of shampoo used based on gender**

Company Type	Public (NYSE:PG)
Fiscal Year-End 2006 Sales (mil)	\$68,222.0
1-Year Sales Growth	20.2%
2006 Net Income Growth	19.7%
2006 No. Of Employees	138,000
1-Year Employee Growth	25.5%

## Product and Price

Proctor and Gamble products are developed, produced and promoted with the idea that they are “everyday solutions.” P&G groups their products into relevant categories that include personal and beauty, house and home, health and wellness, baby and family and pet care and nutrition.

Pantene Pro-V has become one of P&G's most recognized billion-dollar brands. The success of this shampoo brand is attributed to P&G's diversification of products to meet the needs of an expanding consumer base. Pantene shampoo has 14 products that have been successfully launched in the market (see Figure 2.2) and continues to expand with the recent revelation of shampoo designed for grey hair to accommodate an aging market. While most of Pantene Pro-V's products are priced around \$4.00, new and advanced products that have been designed to differentiate it from its competition. The Hispanic-female focused “Extra Liso” or special formula “Pro-V Expressions,” are priced higher at \$5.00+ (see Figure 2.2). Pantene Pro-V products are not only offered in varieties catering to hair types, but are also available in sizes ranging from travel (\$1.65/1.7 fl oz.), regular (\$4.49/13.5 fl oz), to industrial (\$7.99/25.4 fl oz.).



**Figure: 1.1**  
**Figure 3: P&G Financial Summary with focus on advertising expenses (2000-2006)**

*In millions	2006	2005	2004	2003	2002	2001	2000
Research and Development Expense	2,075	1,940	1,802	1,665	1,601	1,769	1,899
Advertising Expense	6,773	5,917	5,504	4,373	3,773	3,612	3,793
Total Assets	1353,695	61,527	57,048	43,776	40,776	34,387	34,366
Capital Expenditures	2,667	2,181	2,024	1,482	1,679	2,486	3,018
Long-Term Debt	35,976	12,887	12,554	11,201	11,201	9,792	9,012
Shareholders' Equity	62,908	18,190	18,190	17,025	14,415	12,560	12,673

## Advertising Expenditures, Previous Campaigns & Promotional Strategies

Proctor & Gamble ranks #1 in the world in terms of Advertising spending with over \$7.92 billion and #1 in the United States spending \$4.61 billion in 2005 . While there has been a steady increase in the amount of money allotted to advertising since the turn of the century (see Figure 8) in ad spending, Ad Age reports that P&G's big brands are losing ad volume. Three of P&G's top five billion-dollar brands, including Crest, Gillette razors and Gillette Oral B, received heavy declines in measured media in 2005 and took a significant money away from Clairol (45.4%) and Mr. Clean (43.2%) . On the other hand, Oil of Olay, and Pantene Pro-V continue to grow at 34% and 5.9% in advertising spending respectively .

P&G tries to raise consumer awareness and exposure for its brands by spending billions of dollars in advertising expenditures requires the use of an outside agency to oversee its brand messages. P&G employs Grey World Group of NYC to create advertising campaigns for hair and beauty products that include Pantene Pro-V and to oversee other partnerships for promotional purposes.

In the early 1990's, strategic researches regarding the perceived benefits of using shampoo lead P&G to launched Pantene Pro-V. The brand is based on a health positioning focusing on a specific benefit (shine) enforced by the tag line, "For Hair So Healthy It Shines" . P&G created a U.S. television campaign as part of its global push. In the campaign, an authoritative spokeswoman showed the transformation of her hair before and after using Pantene Pro-V .

Based on the AEF case study, Pantene Pro-V needed to be re-launched to keep up with increased industry competition. The idea was to focus on a global strategy with local executions. The company developed a successful campaign that focused on local markets that represented consumer needs with the new end-

## SWOT Analysis for Pantene

### Strength

- Leading brand in shampoo industry since 1990; #1 in 1994 four years after being launched
- Billion-dollar leading brand for P&G
- Strong advertising campaigns & innovative promotion strategies
- Largest share of voice in industry
- Recognizable brand image and strong brand equity
- Strongly preferred among the competition
- Extensive product line that meets consumer needs and answers trends

### Oppertunity

- Lack of brand loyalty
- Mid-priced brand presents vulnerability
- Stagnant sales
- Difficult to reach ethnic groups
- Majority of products in saturated markets
- Lack of a variety of distribution channels

### Opportunities

- Product extensions focusing on segmentation of consumer needs
- Consistency in product use for daily cleanliness
- Untapped target markets that have loyalty traits and growing populations
- Advertising money allotted by P&G continues to increase
- Cross-promotional efforts with sister P&G brands
- Innovative marketing techniques
- P&G's willingness to pump money into successful brands

### Threats

- Newcomer salon brands creating products for retail stores
- Low switching cost
- Salon-purchased products take away from minority market share
- Generic and value brands of competitors
- Flooding of market with new products
- Competitor innovation and technology
- Market inundated with advertisement campaigns from competition
- Lack of product differentiation between competitors

benefit products line (Smooth, Volume, Curls) claiming users could "Achieve the look you want with the new customized collections".

Pantene Pro-V saw a need to cater to ethnicities, specifically African Americans, who were purchasing products outside of retail stores because of their different hair types.

The company developed campaigns targeting African-American women with the introduction of their new Relaxed and Natural shampoos. Testing an alternative selling method in 2004, P&G partnered with Reach Media and the nationally syndicated Tom Joyner Morning. P&G hoped to promote its African-American targeted products over urban radio to reach a largely African-American market . Pantene Pro-V also began targeting the Hispanic markets by launching their brand extension Extra Liso (Extra Straight) and created an English and Spanish campaign in 2005 created by Grey Global Group.

Following current market trends and past successful promotions, Mintel's report suggests that P&G will continue using celebrity spokespersons like Kelly Ripa for their TV advertising. The company's 2005 \$250 million marketing budget was used to support existing campaigns and introduce new and re-launched products. The

company also created interactive promotional tools, such as the Inner Health Meter, a portable device for assessing hair health.

## *Strengths*

Recognizing the necessity of shampoo as an everyday product, P&G launched Pantene globally in 1990 and watched it quickly rise to the top to become the leading shampoo in the industry just four years later. Developing a brand image based on strategic research and strong advertising campaigns focusing on a unique selling proposition of shine, Pantene delivered on a promise for “hair so healthy it shines.” Cultivated in P&G's billion-dollar brand portfolio, Pantene has the financial backing, image and equity, and experienced management of its parent company to continue to advertise and maintain heightened exposure in the marketplace.

As of 2006, Pantene faired in the top three brands of choice for shampoo users indicating high preference among the competition. Pantene claims the largest share of voice at 29.6% in advertising expenditures doubling the closest competitor strengthening exposure in a cluttered industry (see Figure 9). Innovative research and new technology has led the company to develop product specialties and extensions that meet changing consumer needs and reach more target markets.

## *Weaknesses*

While Pantene boasts the largest market share, there is approximately 70% share up for grabs among competitors creating stifling competition. As price for Pantene runs around \$4.00/13.5 fl oz bottle, it is considered mid-price and is therefore vulnerable to cheaper brands offering similar products available in the market. This vulnerability lends a hand to a lack of brand loyalty for shampoos that Pantene suffers from. With a variety of Pantene products placed in saturated markets coupled with few distribution channels, Pantene faces a difficult task of increasing sales among hard-to-reach markets, which, in turn, has led to stagnant sales not only for the industry but slow increases for Pantene.

## *Opportunities*

Pantene has the potential to not only maintain a leading position in the industry, but to push away from the competition to stand apart as the leading shampoo product on the market. With the consistency of shampoo usage, according to Mintel reports, over 90% for all consumers, Pantene is presented with the opportunity to infiltrate untapped markets that boast brand loyalty attributes including minority segments like Hispanics, for example.

Backed by P&G research, technology and advertising expenditures, Pantene has recognized the urgency to create products that meet consumer needs based on hair type in accordance with ethnicity, for instance, and use strategic advertising campaigns to find niche markets to reach target audiences that have been lost among competitors. With the advent of specialty products and extension lines, Pantene can garner more market share, increase stagnant sales and expand on its loyal consumer base.

Due to the support of P&G for this promising and consistently producing brand, Pantene can upstage the competition through new marketing tactics that include interactive campaigns in stores and exploratory advertising in new mediums. Pantene can take risks based on the equitable brand it has become based on a record of success since its launch 16 years ago that include partnering in a cross-promotional campaign with sister-brand Clairol to increase awareness and exposure, going after segments that are privy to products sold in salons, or adding pioneer products to a reputable product line.

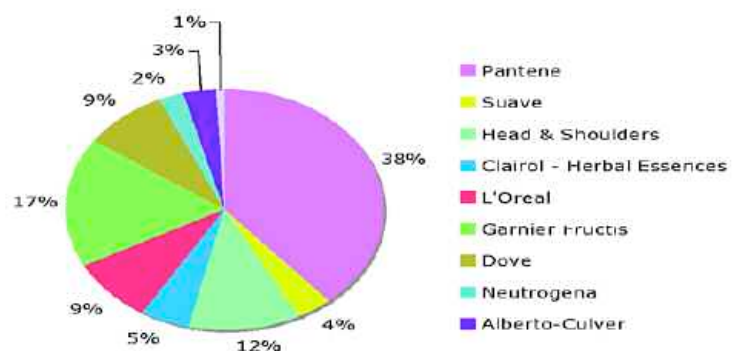
## Threats

The shampoo industry has seen a flood of products surface on the market since 2004, heightening competition and leaving consumers with an authoritative position to choose the brand that is most cost-effective for their needs. While Pantene must always be weary of low product differentiation and low-switching costs among its top competitors, the brand now faces the threat of losing market share to newcomers that include salon products like John Frieda that were once desired but unattainable due to high cost or being out of reach and have now found themselves sharing shelf space with retail industry leaders. Generic and value brands that offer similar products in bulk for a comparable price also pose a threat based on the idea of the cost-cutting consumers choosing products based on price and do not assume a difference between brands. The competition from close industry counterparts like L'Oreal and Garnier in going after untapped markets with niche products is also a cause for concern. P&G's research skills must be utilized to ward off competitors who are looking to formulate products that rival some of Pantene's specialty products through innovation and technology for a lesser cost. This threat can stifle the success of Pantene's pioneer products and strategic advertising to bring in wayward consumers by losing them to cheaper knockoff versions of specialty products.

## Share of Voice

The shampoo industry totaled \$592.5 million in advertising spending in 18 measured mediums in 2005 according to an Advertising Age report. The report broke down the top 10 brands within the shampoo industry. The top 10 industry leaders in market share spent \$454.7 million alone with Pantene Pro-V spending the most at \$175.8 million culminating a 29.67% share of voice (see Figure 9). The closest competitive spender is Garnier Fructis, spending \$79.6 million taking 13.43% share of voice within advertising (see Figure 9). Because Pantene Pro-V spends more than double in advertising

**Figure 1.1**  
**Figure 3: Share of Voice for Top 10 Competitors**



# PANTENE PRO-V

than its closest shampoo competitor, it will receive heightened awareness and exposure in the media compared to the competition. This, in turn, results in more trial usage and repeat purchases giving the brand a greater position to generate revenue.