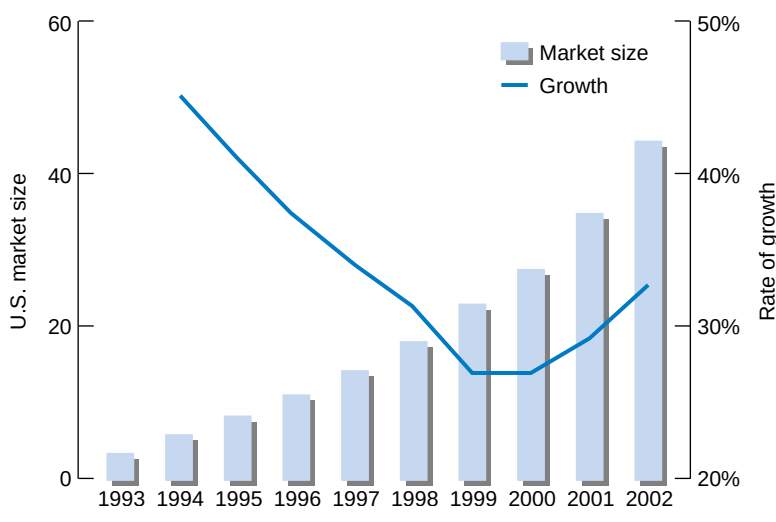


EXHIBIT 1**THE GROWTH OF PACS**

Source: Marketline International, PACS.

Discussion Questions

1. Discuss the capabilities of a PACS and the ways it can contribute to the operations of a health care institution.
2. Discuss SMS's organizational structure and its ability to conduct business internationally.
3. Did cultural differences play a role in SMS's process of recording testimony among the company's German customers? If so, then what was done to adjust?
4. Discuss the regulatory concerns that had to be addressed as they pertained to SMS's PACS as a medical device.
5. Discuss SMS's future plans to take on similar projects in other customer countries in the future. How useful will this experience be in the future?

ASE 8

TILTING WINDMILLS: SANEX TRIES TO CONQUER EUROPE

The message that rolled off the fax machine on August 3, 1993, in the office of Mr. Martin Muñoz, president of the Southern European division of the Household and

This case was prepared by T. V. Krishnan and Chet Borucki of Nijenrode University, The Netherlands. Copyright 1996 by Nijenrode University, The Netherlands Business School.

Body Care H&BC business unit of the Dutch-based international company Sara Lee/DE was depressing: "The liquid soap you conceived and successfully commercialised in Spain seven years ago has failed to make any inroads in the UK market. Sorry." To his secretary's utter surprise and shock, Martin Muñoz simply smiled.



As he kept staring at the fax message, Martin's thoughts drifted to the heated conversation he had had a couple of years back with Roger,¹ the head of Nicholas Laboratories in the UK, the pharmaceutical company acquired by Sara Lee/DE in the late 1980s. Martin at the time had caught the attention of senior management in the company by engineering the successful launch and diffusion of a new Bath & Shower liquid soap called Sanex in the overcrowded and mature Bath & Shower market. Though initially the underdog in a market dominated by giants such as Henkel and Reckitt & Coleman, Sanex quickly outpaced the competition in Spain thanks to the clear positioning it mustered through its powerfully appealing concept: Healthy Skin. Impressed by this achievement, Sara Lee/DE headquarters had decided to roll out Sanex throughout Europe, and had asked Martin to act as the coordinator for this project. In one of the many meetings that ensued, Roger vehemently opposed introducing the product to English consumers under the Sanex brand name, which he felt had "sanitary" connotations and would be ill-received by English consumers. Roger further argued, and correctly so, that despite their proximity, European countries had vastly different histories and cultures: a strategy that might look appealing in one market might very well look appalling in another country. Martin strongly counter-argued that the success of Sanex in Spain was more due to rational reasons and had nothing to do with any idiosyncratic nature of the Spanish consumer. Martin did not want any of his proven marketing strategies to be disturbed irrespective of where the products were to be marketed. In his role as project coordinator, Martin realized that he lacked the formal authority to challenge the autonomy of a Sara Lee/DE subsidiary and force Roger to accept his line of thinking, although clearly, he felt Roger was wrong. Undeterred, Roger had gone ahead anyway and introduced Sanex in the UK under a different label and with different marketing strategies.

Martin's informal response to Roger's fax message from the UK was akin to saying: "I told you so" and was further confirmation of his faith in and opinion of the Sanex brand. Senior management at Sara Lee/DE headquarters, too, backed Martin. They completely believed in the Sanex concept and came to believe in the merit of having a consistent marketing strategy to support that concept, and they responded formally and immediately. The following week, the chairman of Sara Lee/DE summoned the presidents of the European countries in the H&BC division to his office in Utrecht, the Netherlands, and made it clear that Sanex was to be rolled out across Europe just as it was. In essence, the chairman's decisive move gave Sanex a much needed shot in the arm, and

Martin was given *carte blanche* to roll out the product across Europe.

On the flight back from Amsterdam to Spain, Martin's heart was light, although his newly assigned responsibility for making Sanex a Euro brand weighed heavily in his mind. He was convinced that the recent decision by Sara Lee/DE's chairman would make things much easier for him. The country managers would be more willing to listen to him and appreciate the necessity of maintaining the integrity of the Sanex concept through adopting the strategy he formulated and successfully implemented in Spain: same brand name, same advertising copy, same pricing policy, same level of advertising and distribution support, etc. As he started penning down the factors that had compelled him to believe in a pan-European marketing strategy for Sanex, he caught a glimpse of a huge windmill disappearing in the Dutch horizon. He suddenly felt a shiver running down his spine: "Am I a maverick ready to challenge all those management theories that talk about the importance of cultural differences across countries or simply another Don Quixote attacking windmills? Can I apply the knowledge I gained by making Sanex a winner against all odds in Spain and make it a Euro brand?"

SARA LEE/DE: HISTORY AND STRUCTURE

Sara Lee/DE, which is a part of Sara Lee Corporation, Chicago, USA, is a Dutch-based multinational manufacturer of high-quality branded consumer products with annual sales of around Dfl 10.4 billion and 26,000 employees. The history of Sara Lee/DE can be traced back to 1753 to the founding of a family business—a small domestic grocery shop located in Joure in the north of the Netherlands that basically dealt in coffee, tea and tobacco. Many of its products were obtained from suppliers in the Far East. For seven generations, until 1976, the same family guided the development of the company, which was called Douwe Egberts.² In 1930 Douwe Egberts (DE) entered the export market, concentrating first on marketing tobacco products in Belgium and Germany. In the years following WWII, its export business really began to flourish. By 1960, DE accounted for more than half of Dutch tobacco and coffee exports and 39% of tea exports. The international growth of the company, in its true meaning, got its start in 1973 with the opening of its first coffee roasting plant in Brussels.

During the 1970s, the rich potential of DE captured the attention of senior management at Sara Lee Corporation, the Chicago-based consumer goods company, which at the time was trying to consolidate its businesses around

¹The name of this case character has been disguised for confidentiality reasons.

²Douwe Egberts was the son of the founder Egbert Douwes.

a limited number of core product divisions. The history of Sara Lee Corporation, compared to that of DE, is rather short, but is more turbulent. Its roots go back to 1939 when Nathan Cummings took over a company in Baltimore that was trading in coffee, tea and sugar and was then operating under a different name. After the second world war, the company activities widened and it diversified through acquisitions primarily in the food business. In 1954, the company was renamed, aptly so, as Consolidated Foods Corporation (CFC). Soon thereafter, CFC moved its headquarters to Chicago. A notable turning point in the company's history occurred when Charles Lubin, who was managing a very successful and reputed bakery business in Chicago, merged his company with CFC. Lubin's leading product was a cheese cake named after his daughter, Sara Lee. From a reputational standpoint, Sara Lee cheese cake stood for consistent quality and had high brand equity. Initially, this merger had little impact on CFC as the growth of the company was almost totally fuelled by acquisitions of various sorts, including business units in non-food industry sectors. By the 1970s, CFC was a huge conglomerate comprised of 80 business units, many with successful brand names. But given the tremendous diversity of its businesses, the company lacked focus.

Things took a turn for the better when John Bryan became CFC's chairman in 1975. He undertook the massive task of refocusing the company around well-defined business units both within and outside of the food industry, and divested those units that did not fit that focus. He hated the name CFC which he felt connoted more an agglomeration of diverse interests rather than a unified company. Though it took nearly a decade, Bryan was able to rename CFC the Sara Lee Corporation (SLC) which he believed sent an appropriate message to all stakeholders about the quality the company sought to ensure in its products. Bryan also did not hesitate to acquire other companies (such as Hanes and Nicholas Kiwi) that he felt would bolster SLC's core business units. He was always looking for products with powerful brand equity. It wasn't long before the Dutch company DE captured his attention due to its strong brand image (the "coffee lady" who first appeared in 1898 is the trademark that decorates its coffee packages today). He started investing in DE in 1975 in a bid to establish a strong international coffee and grocery business. What started as a minority investment by SLC in DE evolved into a complete merger when in 1989, the former assumed complete control of the latter. The name Douwe Egberts Koninklijke Tabaksfabrick-Koffiebranderijen-Theehandel nv was changed to Sara Lee/DE nv when SLC reached a 100% equity interest, 41% in the form of voting shares and 59% in the form of share certificates issued by the independent Stichting Administratiekantoor Douwe Egberts Sara Lee. Consequently, this independent Dutch trust office retained the majority of voting rights in Sara Lee/DE (SL/DE).

SLC focused on five major divisions: Sara Lee Foods, Food Service, Personal Products, Coffee and Tea, Household and Body Care. After it started acquiring DE in the late 1970s, SLC gradually turned over the management of its Coffee and Tea business to SL/DE. With the support of SLC, the Dutch company immediately switched gears and consolidated its position around the globe, rapidly developing a stronghold in Europe. Like its parent, the Dutch company also pursued growth through acquisition. It acquired other European coffee and tobacco business units such as Maison de Cafe (France, 1977), Merrild (Denmark, 1979), Marcilla (Spain, 1980) and Van Nelle (The Netherlands, 1989). As a result, over the period between 1970 and 1990, sales grew from a mere Dfl 570 million to a mammoth Dfl 3.5 billion. As of 1990, the Coffee and Tea division of SL/DE commanded the market leadership position in its home country the Netherlands (72%) and Belgium (55%) and had sizeable market share in Spain (21%), France (16%) and Denmark (30%), as well as in Norway, Hungary, and Australia, amongst others.

Even though it concentrates exclusively on two main businesses, SL/DE still consists of nearly 100 companies, of which a majority are active in Western Europe. For the most part, these companies operate autonomously and many have their own production, marketing and sales departments. Thus, unlike other multinationals such as Procter & Gamble and Philips, SL/DE operates under different names in different countries. As mentioned previously, SL/DE expanded geographically through the acquisition of well-known name brands and companies in other countries.³ When a firm was acquired, it was generally treated as a wholly-owned, subsidiary: no changes were made in the name of the company and its brands. Characteristically, SL/DE seldom launched a new brand or company offshore from scratch.

The organisational structure of SL/DE is not the same for all operations and products. The retail coffee operations (Douwe Egberts, Merrild, Marcilla among others) are organised by country and are responsible for their own production, marketing and sales. These country organisations report directly to the board of management in the Netherlands. Douwe Egberts Beverage Systems, active in the out-of-home-consumption market divested in 1998 has central production and marketing facilities in the Netherlands. In addition, it has its own sales organizations in a number of other countries. The H&BC division largely consists of regional units (which are comprised of combinations of several countries) and product groups and reports per region to the board of management in the Netherlands.

³For a complete listing of the various subsidiaries and affiliated companies of SL/DE around the world, go to www.saralee.com/homepage.html.

SL/DE first entered the Household and Body Care market in 1983 through an acquisition. That year, SLC started transferring control of its other business unit, Household and Body Care (H&BC) to SL/DE by selling off its interest in the Dutch company Intradal to SL/DE. Intradal was a household name in oral care (e.g., Prodent Zendium) and toiletries in the Netherlands and Belgium. In 1984, SLC acquired the Australian company Nicholas Kiwi, which had operations all over the world with leading brands in the shoe care business. Later in 1988, control of this division also was transferred to SL/DE's H&BC division. The activities of the H&BC division were further widened with the acquisition of the consumer products division of the chemical giant Akzo in 1987. In summary, by the end of the 1980s, SLC wholly transferred control of the HBC division to SL/DE.

SL/DE managed the "Coffee and Tea" and "Household and H&BC Care" product divisions, and direct selling activities of its parent company Sara Lee Corporation from its headquarters in Utrecht, the Netherlands (see Figure 1). As of 1993, these two business units derived the greater percentage of their sales from Europe than the USA, whereas the sales from SLC's other two business units (Sara Lee Foods and Personal Products) came more from the USA than from Europe.

SL/DE's strategy of growth through acquisitions worked quite well. Table 1 illustrates the successful performance of the company from 1984 to 1992, with special focus on its H&BC division.

The H&BC division, which is comprised of several product groups such as detergents (Biotex, Blanc Nuclear, Neutral), cleaners (brands no longer exist White King, Bloo), shoe care (Kiwi shoe polish, spray and cream, Tuxan, Tana), insecticides (Catch, Bloom, Vapona), air-fresheners (Ambi-Pur, Parry's), divested, body care (lotions, liquid soaps and deodorants under the names of Radox, Sanex, Badedas, oral care (Prodent,

Zendium) and baby care (Zwitsal soap, cream and shampoo) had a turnover of 2.475 billion Dfl in 1992–93, approximately one-third of the total company turnover. Although there were many products in its portfolio, from its start, the H&BC division came to be more widely known for its insecticide and shoe care business units than for its body care and baby care units. This is probably because the company was spending all of its efforts to maintain the image of the strong brands it acquired from other companies, such as Kiwi, and many of these well-known brands happened to fall in the shoe care and insecticide sectors.

THE SPANISH H&BC MARKET AND MARTIN MUÑOZ

Cruz Verde-Legrain (CVL), SL/DE's 100%-owned subsidiary in Spain which was acquired in the early 1980s, was where the idea for Sanex originated. Up until the time it was acquired, CVL was primarily known for its insecticide products. The insecticide market periodically experienced erratic and often sizeable seasonal fluctuations as sales turnover was largely affected by varying weather conditions. To buffer CVL from these cyclical fluctuations, Martin Muñoz and the other members of the subsidiary's management team decided to research the possibility of adding other products to their limited portfolio. Martin and his management team agreed on two issues: first, the product should offer consumers some sort of "protection" like their insecticide products; second, the product should make use of the existing technical knowhow within the company. With these two broad objectives in mind, CVL management went on a "fishing expedition." They commissioned a firm to conduct semi-structured "focus group" interviews to surface new product ideas. During these interviews, focus group participants discussed several product categories, one of which was bath and

FIGURE 1

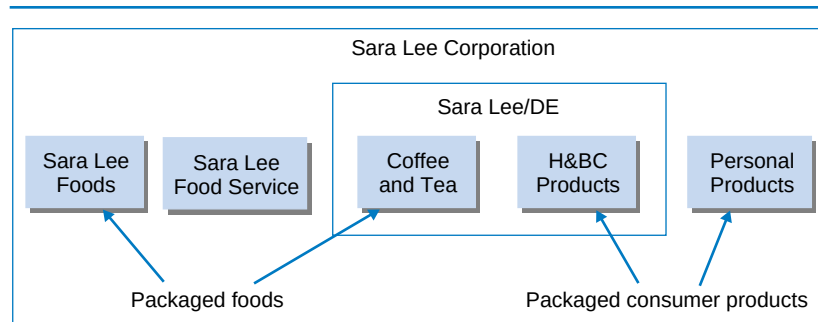


TABLE 1SALES IN MILLIONS OF US \$ OF THE TWO DIVISIONS OF SL/DE⁴

Year	1984	1985	1986	1987	1988	1989	1990	1991	1992
C&T	n.a.	1687	1626	1577	1663	1816	1834	1938	1919
H&BC	643	812	943	983	1104	1281	1196	1319	1227

shower gel. Unexpectedly, the interviewers noted that some of the participants complained bitterly about the irritating skin problems associated with the cosmetic-type liquid soaps available in supermarkets. When probed further, they also complained about the exorbitant prices of the medical-type liquid soaps carried by pharmacists. The “fishing expedition” had yielded promising results. Martin and his management team began to seriously think about the huge potential of a good liquid soap which could simultaneously offer “protection” to the skin and yet be readily available to the general public through supermarket and other retail outlets. Pressing forward, CVL decided to exploit the vacant spot between the cosmetic-type liquid soap and the medical-type liquid soap. It entered the body care market through this “gap.”

The Spanish body care market was totally dominated by Henkel (with its FA brand), Beiersdorf (with its Nivea brand), and Gillette (with its Magno brand). CVL was clearly a nonentity. Martin and his management team very well knew that any management guru would advise him against pursuing opportunities that did not fit well with his business’s strength or core competency, and would advise him against entering a mature market such as H&BC. But having made the decision to diversify from the volatile insecticide market, he

chose to take the risk. In 1985, against all odds, he entered the market with Sanex,⁵ a Bath & Shower liquid soap product. To the whole industry’s surprise, the launching of Sanex was not only immensely successful, but also redefined the whole structure of the Spanish H&BC market and was a milestone in CVL’s and in Sara Lee/DE’s history.

The H&BC Market in Spain

The body care sector of the H&BC market in Spain can be categorised into Bath & Shower Liquid Soap, Bar Soap, Hand Liquid Soap, Hair Shampoo, Deodorant and Body Colognes. The 1990 sales breakdown of this market by these six categories is provided in Table 2. Bath & Shower Liquid Soap leads the pack with annual sales totalling 51.7 million litres followed by Hair Shampoo with annual sales of 38 million litres.

The Bath and Shower Liquid Soap Market

The Bath & Shower liquid soap market experienced unprecedented growth in the 1980s thanks to Sanex. Table 3 illustrates the fantastic growth of this market in the ten year period from 1982 to 1991. From annual sales of 8.8 million litres in 1982, this market virtually exploded to

TABLE 2

1990 SALES BREAK-UP OF BODY CARE MARKET IN SPAIN

<i>Category</i>	<i>1990 Sales in Million Litres</i>	<i>1990 Sales in Million US \$</i>
Bath & Shower	51.7	175
Bar Soap	8.7	51
Hand Liquid Soap	1.8	15
Hair Shampoo	38.0	154
Deodorants	34.0	103
Bath Colognes	13.6	54

⁴Toward the end of the 1980s and the early 1990s, the exchange rate between the US \$ and the Dutch guilder fluctuated heavily, with Dfl more frequently appreciating against the dollar during this period.

⁵In reviewing the inventory of names CVL had registered that were available for use, Martin and members of his management team immediately chose Sanex due to its close association with the Spanish toast *Salad*, which means “to your health.”

TABLE 3
LIQUID SOAP SALES GROWTH

Sales in million litres	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
	8.73	11.54	14.09	17.97	22.59	32.02	38.61	45.33	51.72	57.40

annual sales of 57.4 million litres in 1991, registering a compounded annual growth of 20.7%.

Much, if not all, of the tremendous sales growth achieved by the Bath & Shower liquid soaps in Spain can be attributed to the successful launching of Sanex in 1985 and to the subsequent frenzy of competitive moves that took place thereafter. Sanex was able to make a big impact in the body care market by the invention of a new dimension in the liquid soap category. The introduction of Sanex gave a vital boost to liquid soap sales, which otherwise were stagnant.

Positioning of Sanex

Prior to the introduction of Sanex in 1985, liquid soap was performing the usual and ubiquitous function of cleansing the body of its tough odors and dirt. Such a perception was reinforced by, for example, incorporating strong perfumes in liquid soaps and making them abrasive. Consumers using such liquid soaps came out of their bathrooms with a strong sense of having a dirt-free, odor-free, scented body. Under Martin's leadership, CVL first thought of viewing liquid soaps as more than a simple dirt and odor remover. CVL introduced properties that widened its scope. From being a mere body cleanser, liquid soap evolved into a dermo-protector (i.e., skin protector) in 1985 thanks to Sanex.

Table 4 identifies the main characteristics of the three key segments in the liquid soap, namely, cosmetics, dermo-protectors, and pharmaceuticals. It should be noted that this type of segmentation in liquid soap came into existence only with the introduction of Sanex. Thus,

with Sanex, CVL could be considered a pioneer in inventing a new dimension (dermo-protection) in the liquid soap category.

The cosmetics-type liquid soaps address, true to their name, only the external effects on the skin, while the dermo-protector seeks to make the skin healthier and more hygienic. CVL differentiated Sanex from the existing cosmetics-type liquid soaps by carefully adopting several unique physical attributes.

While Martin and his management team tried to incorporate the health and hygiene factors into their liquid soap, they did not want Sanex to "degenerate" to the level of an absolute pharmaceutical product (such as Ernofon and Multidermol) which would be a disaster in the mass consumer market. To achieve this goal, Sanex was produced in white color (a non-cosmetic color) to signal its hygienic properties and to differentiate it from the transparent nature of the pharmaceutical gels and the non-white colors of the cosmetics-type liquid soap. CVL made Sanex soft and slightly perfumed, while the cosmetics-type liquid soaps were clearly marked by their abrasive nature and strong perfumes and the pharmaceutical products were odorless. Sanex was also designed to produce foam lather that was to be more than that produced by a pharmaceutical product, but was to be less than that produced by a typical cosmetics-type liquid soap.

Thus, every effort was made to ensure that Sanex had the right combination of the pharmaceutical product and the cosmetic-type liquid soap, but was still well-differentiated from either of them. In this sense, CVL's management "discovered" a void between the cosmetics-type liquid soap which lacked medicinal properties

TABLE 4
THE THREE SEGMENTS OF LIQUID SOAP CATEGORY

<i>Segment</i>	<i>Description</i>	<i>Sales in Million Litres</i>	<i>Stage of PLC</i>
Dermo-protectors	Liquid, low foaming, slightly perfumed, white, soft, protection against bacteria	25.0	Growing
Cosmetics	Fluid, foaming, strongly perfumed, colored, abrasive	23.5	Mature
Pharmaceutical	Non-perfumed, liquid, transparent, low foaming, protective	n.a.	Mature

TABLE 5
SANEX POSITIONING IN THE LIQUID SOAP MARKET

<i>Cosmetics Type</i>	<i>Sanex</i>	<i>Pharmaceutical</i>
Bright colours	White	Transparent
Thick gel	Liquid	Thin Fluid
Strongly perfumed	Slightly perfumed	Non perfumed
Foaming	Low foaming	Non foaming
Abrasive ingredients	PH balanced	Neutral
Nonprotective	Protective	(Over) protection ⁷

and the pharmaceutical soaps which lacked mass appeal,⁶ and cleverly filled it with Sanex. A detailed list of the two-way differentiating physical characteristics of Sanex is provided in Table 5.

Marketing Mix Elements of Sanex

In 1985, the body care sector of the H&BC market in Spain was populated by about 107 brands managed by many different companies including corporate giants such as Beiersdorf (manufacturer of Nivea), Henkel, Johnson Wax and Revlon. The market was stagnant and very mature, and as such, the competition was severe. Cut-throat pricing was more the norm than the exception. No brand could muster more than a 7 percent market share. New products were being continually tested in the market since it was the only way a company could hope to increase its market share. As a result, the market was saturated with brands. And, it was in such a market Sara Lee/DE (i.e., CVL), an almost non-entity, was trying to launch its new brand, Sanex.

Compared to other me-too new brands in the market, one thing that was different about Sanex was that it had clear and distinctively unique features contributing to healthy skin. What remained to be done was the right marketing of this unique selling point (USP) to the consumer. This was not an easy job by any standard because Sanex's USP had to be conveyed to the consumers with the right message and had to be "sold" to the consumer at the right price. Otherwise, it might not achieve its potential. When interviewed about his role in launching Sanex,

Martin asserted: "If you are convinced about something, defend it with full force, since a half-hearted attempt would not reveal anything."

Advertising: As a first step, as CVL's senior manager, Martin made sure that Sanex maintained strong advertising support year after year, getting the highest share of voice (SOV) of all the liquid soaps (see Table 6).

However, high advertising expenditures were a necessary but insufficient condition. Martin decided that he had to handle the advertising of Sanex adroitly (to get the consumer's attention amidst the existing clatter of advertisement messages and make them *bear* what Sara Lee had to say about Sanex), and credibly (in order to make the consumer *listen* to CVL's claim on the usefulness of Sanex's USPs).

He handed over responsibility for copy creativity to a very young advertising company called Casadevall & Pedreno and asked them to design the message with four specific objectives in mind:

- The message should get the attention of consumers.
- The communication had to be straightforward and clear, focusing on the product.
- The message had to be rational and not emotional.
- The message should concentrate on the main benefit of Sanex, namely, "Sanex for healthy skin."

Casadevall & Pedreno came up with some brilliant advertisement copies. They minimized words (for example, typically the first 15 seconds of the advertising ran

TABLE 6
SHARE OF VOICE OF SANEX AND SOME OF ITS COMPETITORS

<i>SOV of</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>
Sanex	18%	29%	33%	37%
FA	7%	11%	9%	13%
NB	—	—	12%	14%
Lux	—	—	1%	10%

⁶By mentioning that CVL, under Martin's leadership, "discovered" the void, we implicitly assume that there always existed a need for such a product in the market. But one can argue that such a need never existed (i.e., the consumers did not have or know this need), and it was Martin who created this need with Sanex, very similar to what Kellogg did with corn flakes or Compaq did with its portable personal computer. In this sense, the need itself can be said to have been "invented" by Martin.

⁷"Over" protective with respect to the dirt and odour accumulating in a day-to-day life of a typical consumer.

TABLE 7
ADVERTISING MESSAGES

<i>Spot . . .</i>	<i>Year run</i>	<i>Expenditure \$</i>	<i>SOV</i>	<i>Objective</i>
Salad	1986–88	1, 2.2, 2.6	na, 18%, 29%	Consumer education, Product description, Brand awareness
Shower	1989–90	3.1, 4.5	30%, 37%	Brand awareness
Pregnant	1991	1.5	35%	Maintenance of awareness, Notoriety

without any sound at all), and used no music for background, but maximized visual impact through slow motion and transition effects. All advertisement copies, however, were subject to the approval of CVL top management.

The initial advertisement that aired in early years clearly supported these objectives. The messages in these advertisements were loud, clear and to-the-point: using Sanex not only results in clear skin, but healthy skin. In the later years, however, as more and more competitive brands moved in, Martin authorised some seemingly unconventional advertising messages. For example, the advertisement titled “Spot Pregnant” was aimed to increase the awareness of healthy skin. To market Sanex deodorant, CVL aired the advertisement called “Spot Kiss” in which a woman was shown (in slow motion) kissing a man’s armpit after he used Sanex. These “unconventional” messages were successful in *maintaining* the attention it had received from consumers. Table 7 provides further details on these three advertisements.

Whatever the advertisement message, efforts were undertaken to ensure that the message positioned the brand in the consumer’s mind exactly as it was intended to be: the best combination of pharmaceutical and cosmetics-type liquid soaps. Whereas cosmetics-type liquid soaps focused on fantasy presentations and happy themes in their advertising messages and the pharmaceutical gels went for aseptic packaging and technical advertising, Sanex concentrated on informative and serious advertising. Although Sanex’s later advertisements were somewhat less conventional, they nevertheless “hit the target” in terms of communicating Sanex’s USP: *healthy skin*.

The advertisements were very successful not only for Sanex, but for Casadevall & Pedreno, the young advertising company, too. “The fact that their career success was tied to the success of Sanex,” observes Martin, “possibly resulted in some fantastic advertisement copies for Sanex.”

Pricing: Since Martin Believed that Sanex provided more benefits than an ordinary liquid soap, he thought it should be priced higher to signal the consumer that he or she was paying a premium to derive its extra utility. Pricing it at par with other liquid soaps and claiming bet-

ter performance would prove to be an oxymoron. Hence, Sanex was launched as a premium priced product and its 1985 shelf price was set at the level of market leader FA, which was at the top end of the market. Table 8 provides pricing information for Sanex and competing brands. Over the years, Sanex’s price changed in line with general market trends.

Moreover, the high margin was found to be essential for providing support to the high expenses involved in advertisement and promotions. Of course, to minimize the potential downside of failure, CVL was very careful not to invest in huge manufacturing plants in the uncertain period following the launching of the brand. For the first three or four years, though the formula was created by CVL Laboratories,⁸ manufacturing was outsourced. As the product proved itself to be a success, manufacturing was gradually moved in-house. A greenfield plant was built that was dedicated solely to manufacturing current and future Sanex brand products. Thus at the start, CVL tried its best to spend as much as possible solely in marketing the concept.

TABLE 8
PRICING OF SANEX

<i>Price of . . . in Pesetas/Litre⁹</i>	<i>1986</i>	<i>1988</i>	<i>1990</i>
Sanex	437	402	410
FA cosmetic	415	412	378
Nivea cosmetic	405	363	356
Neutrobalance	—	—	417
FA dermo	—	—	413
Nivca dermo	—	—	294

⁸CVL Laboratories was the name that CVL carefully chose to use in their Sanex packaging. The word *Laboratories* was added to signal to the potential buyers that the Sanex product shared only the “medicinal” attributes such as providing healthy skin with their core products (insecticides) and nothing else.

⁹Exchange rate: 1 US \$=110 Pesetas.

TABLE 9
ENTRY TIMINGS OF SANEX AND ITS FOLLOWERS

<i>Company</i>	<i>Cosmetic Brands</i>	<i>Dermo Brands</i>	<i>Dermo Launched in</i>
CVL	S3, Moussel	Sanex	1985
Henkel	FA, Shim	Fa dermo, Shim dermo	1989, 1987
Beiersdorf	Nivea gel	Nivea dermo	1990
Colgate-Palmolive	Palmolive	Palmolive dermo	1991
Nobel-Gillette	Tojapin, Magno	Tojadermo	1986
Reckitt & Colman	Nenuco	Nenuco dermo	1989
Johnson & Johnson	—	Johnson's	1991
Bayer	—	Delial	1989
Gal	Nelia	Nelia dermo	1987

The Evolution of the Liquid Soaps Market Segment

Soon after Sanex was launched in 1985, the market signals were very clear that it was likely to be a winner. And as imitation is the sincerest form of flattery, competitors rushed in: Tojadermo (of Nobel-Gillette) in 1986, Nelia Dermo (of Gal) and Shim Dermo (of Henkel) in 1987, Johnson's (of Johnson & Johnson) in 1991, to name a few. Table 9 provides the entry years of some of these followers in the dermo-type liquid soap market.

Almost all of the cosmetics-type liquid soaps extended their lines into the dermo-protective segment by 1991. In 1985, Sanex was the sole market entry in this category, but by 1990, more than 50 different dermo-type liquid soap brands had been introduced in the market place. However, by capitalizing on its pioneering advantage as the first mover and through clever advertising, Sanex was able to maintain and even increase its market share lead over the years (see Table 10).

Partly because of the fact that consumers quickly accepted Sanex and partly because of the intense activity exhibited by all the players in the market place, the dermo segment of the liquid soap grew at an astonishing pace. Starting from virtually nowhere in 1985, within just six years this segment accounted for 50.5% of all the liquid soap sales, thus becoming its largest segment in 1991.

Extension of Sanex Concept to Other Categories

Without question, the success of Sanex created a storm in the highly intense H&BC market, and this storm had started escalating beyond the Spanish borders to cross Europe and even the globe. This was because it was widely becoming known that Sanex was more of a concept than a product, and that this concept of *finding and exploiting a void between two extremes* would soon be applied by its competitors in other categories of the personal care market. Martin decided to move first and fast. Within two years of launching Sanex (rather a short time to come to any conclusion about a product's success), Sanex was launched in the "hand liquid soap" category in 1987. The same name was retained in order to quickly leverage the brand name.¹⁰ The risk paid off. By 1991, Sanex became the second leading brand in the Hand Liquid Soap market, accounting for 25% of its sales.

CVL continued to relentlessly capitalize on the success of the Sanex concept. It entered the deodorant

¹⁰It may be that he already had the intention to make Sanex an umbrella brand and establish Sanex as the flagship-name of the company across Europe.

TABLE 10
LEADERSHIP POSITION OF SANEX IN THE DERMATO AND IN THE WHOLE LIQUID SOAP MARKET

<i>Year</i>	<i>1986</i>		<i>1988</i>		<i>1990</i>	
	<i>Dermo</i>	<i>Liquid</i>	<i>Dermo</i>	<i>Liquid</i>	<i>Dermo</i>	<i>Liquid</i>
Sales in million litres	2.281	22.58	12.585	38.61	25.034	51.72
Share of leader, Sanex	15%	8%	39.5%	12.9%	31.2%	15.1%
Share of first trailer	17.5%	8.6%	14.8%	7.4%	6.6%	7.0%
Share of second trailer	1.1%	4.4%	4.6%	4.2%	5.4%	5.3%

category in 1988 (spray and stick types) and 1989 (roll-on type), in the body milk category in 1990, and in the bath cologne category in 1991 under the Sanex brand. It was a race against time. Nothing else mattered. Table 11 reveals the success story of these launches.

What was remarkable was not just the success of these extensions, but how success was achieved—by carrying over in all details the Sanex concept and the associated marketing philosophy from liquid soap to those categories. The Sanex brand name was used for the products in all of the categories. True to its name, it carried the same USP, too, in all the categories: *Sanex means Healthy Skin*. It was priced at the premium level and positioned similarly in all the categories, and it also had the similar packaging style (blue color, contents conveying healthy skin message, etc.). In short, CVL, under Martin's leadership, made Sanex a concept that was simple, straightforward and could be applied with ease across all the body care products.

FROM SPAIN TO EUROPE

Sanex and SL/DE

For SL/DE, Sanex's performance in Spain was relatively minor compared to the brand equity enjoyed and the sales generated world-wide by its Douwe Egberts coffee and Kiwi shoe polish brands. However, Sanex was a breakthrough for SL/DE in that it represented the first time that the company had launched *a brand new brand*, resulting in the following:

- Until 1983, SL/DE did not exist at all in the H&BC market in Spain, a market that was populated with more than 104 brands, many of which were the likes of FA, Nelia and Nivea. However, thanks to Sanex, by 1990, SL/DE became a powerful force to reckon with in the Spanish H&BC market.

- Until the late 1980s, SL/DE's body care products received less attention than the shoe care and insecticides products. Thanks to Sanex, the company started consolidating its position in the body care market by exerting extra effort to strengthen brands in the UK and by acquiring leading brands in Germany (Duschdas and Badedas) from SmithKline Beecham, and other brands such as Brylcreem and Williams. The acquisition of these brands significantly strengthened the H&BC division.
- Until 1990, the norm for SL/DE was that growth would be achieved primarily through acquiring already established brand names. After 1990, thanks to Sanex, it proved to itself, to its stakeholders and to its parent company SLC that it could build a good brand in-house from scratch.
- Until 1985, since SL/DE's growth for the most part was achieved through acquisitions, its marketing operations were primarily geared towards maintaining and exploiting the acquired brand names. After 1990, thanks to Sanex, it could afford to allocate more resources to developing new brands at home.

The last statement is true not just for SL/DE but for the whole of SLC, because with the exception of the startup brands Douwe Egberts and Sara Lee, most of the leading brands of SLC were acquisitions. This fact was reaffirmed when the tremendous success of brand names like Sanex¹¹ prompted a change in SLC's mission statement. Formerly, SLC's mission was "to be a premier, global branded consumer packaged goods company." Today Sara Lee Corporation's mission is "to BUILD

¹¹Another "brand new brand" was the Wonder-bra introduced by SLC in the USA in the early 1990s. Wonder-bra was a highly successful product and was appropriately recognised as such by *Fortune Magazine* in 1994.

TABLE 11
SANEX'S SUCCESS (AS OF 1990) IN EVERY BODY CARE CATEGORY

Category	Sales in m. Litres	Sanex Entered in	Sanex Share	Sanex Position	Main Competing Brands
Liquid soap	51.7	1985	15%	1	FA, Nivea
Hand liquid soap	1.8	1987	25%	2	Tacro, Heno de pravia
Deodorants	34.0	1988/89	7%	3	FA, Rexona
Body milk	2.5	1990	6%	4	Natural honey, Nivea
Bath cologne	13.6	1991	—	—	S3, FA

Leadership Brands in consumer packaged goods markets around the world.” This change in the corporate mission statement was probably made to inform stakeholders of SLC’s greater orientation toward brand building.

Hence it was no wonder that the management board of SL/DE at Utrecht, the Netherlands, was more than delighted to see an “invented here” brand making strong gains in unfamiliar territory. It also saw what Martin saw in Sanex: “Healthy skin” as a powerfully appealing concept and the tremendous potential to make it a global brand. And because building a global brand an important corporate objective, SL/DE’s chairman and vice president of SLC asked Martin to launch Sanex throughout Europe. Martin willingly agreed and in 1988, put forth the following plan.

Martin’s Plan to Make Sanex a Euro Brand

The objectives, the product policy, and the marketing policy of introducing Sanex were all identical for all the countries. The plan did not incorporate any modifications that would cater to any idiosyncratic characteristics of a country. What mattered was the integrity of the Sanex concept (whatever the contents, the look, the advertisement, or anything else). The plan was rather sharp (in content) and blunt (in appearance). It read as follows:

1. Global Objective:
To have the same positioning, concept and product in all countries.
To have a market share that places Sanex among the first four brands in each country.
2. Philosophy to be adopted:
What is to be sold is not a product called Sanex, but a concept called Sanex, which simply implies “Healthy Skin.”
3. Product Policy:
Between cosmetic and pharmaceutical.
Basically for the family.
Common image for all the product categories.
Formula is “keep skin healthy.”
4. Marketing Policy:
Premium price.
Strong advertising that conveys the concept.
Packaging (color, message etc.) should be same, except, of course, the language.
Launchings shouldn’t be based on promotions, but on the possibility of getting to know the product.
Massive distribution support to be ensured in a short time.
Samples should be distributed only after a considerable level of awareness is reached.
5. Formula and specifications of the product to be controlled by R&D centralized in Spain.

6. Manufacturing to be centralized in Barcelona, Spain (IPC, International Production Centre).
7. Status report should go from each country to Spain (i.e., to Martin) every two months.
8. Monthly meeting initially, and quarterly meeting thereafter with the Sanex team in Spain.
9. Any change whatsoever, be it product formula, price, or advertising, to be approved by the IPC.
10. TV creativity in advertisement messages also to be directly managed by IPC.
11. Extensions into other categories:
Everything remains the same except the pricing factor, which can be reduced if Sanex in that particular product category does not expect to bring any differential benefits to the consumers.

Initial Reaction from SL/DE Headquarters

The management board at SL/DE in the Netherlands, though new to the H&BC market, had nonetheless been overseeing an international company for many years. The international structure of SL/DE, however, is different from that of other multinationals such as Procter & Gamble. SL/DE owns many companies offshore, but they all operate under different names. For the most part, these companies operate autonomously and many have their own production, marketing and sales departments. This is because SL/DE, like its parent, strongly believes in reinforcing and sustaining entrepreneurship qualities, and in fact, this has been one of the main objectives of the company right from the time of DE’s merger with SLC.

Although the subsidiaries enjoyed full freedom, the management board in the Netherlands expected little opposition from them in launching Sanex throughout Europe. After all, who would say no to having a proven product with a successful track record like Sanex in his portfolio? Moreover, since SL/DE is new to the H&BC market, it offered no equivalent brand in the H&BC markets of most of these countries that would possibly be cannibalised by introducing Sanex. Hence the chairman of the board was very optimistic that Martin would easily obtain the necessary help to transfer Sanex to other European markets.

Thus, SL/DE headquarters completely agreed with Martin on the importance of maintaining the integrity of the Sanex concept, regardless of the country in which it was to be launched. Such integrity could only be maintained through adopting appropriate advertisement copies, packaging etc. that were consistent with the product image. And, since the set of marketing strategies adopted in Spain had already proven to be one such set of appropriate strategies, the chairman appointed Martin

as the Manager of Sanex with the primary responsibility of coordinating the activities concerning the introduction of Sanex in other countries.

For Martin, too, the job seemed straightforward. He had a good product that had already proven its worth in a large country. In his opinion, Sanex helped the consumer satisfy a unique need, and that particular need would be more or less the same irrespective of the country in which the consumer resided. Hence, to introduce it in other European countries, he had to simply talk to his colleagues in these markets and educate them about key success factors, namely, the strategies concerning the positioning of the product and the supporting marketing mix elements, and the rest would take care of itself. However, he wanted to make sure that everything that figured in Sanex's success in Spain should be employed in other countries too without any change. With this idea in mind, the plan was proposed.

To the surprise of SL/DE's chairman and his senior management team at headquarters, the initial reactions from managers from other countries such as Denmark, the Netherlands, France, Belgium, UK, and Greece to the plan were quite unfavorable. Some of them were negative but accommodative, and some were absolutely negative.

Reaction from the Netherlands

The Netherlands was one country that offered considerable support for Sanex, though not initially nor directly. Ironically, the Netherlands was probably the only country that had every reason to abandon Sanex. Almost every member of Intradal, the SL/DE company in the Netherlands (the equivalent of CVL in Spain), had one objection or another to the brand name and product. Recalls Mr. H. van Doornewaard, Product Manager of the company, "Some objected to its name, some objected to packaging, some to its 'bad' perfume, . . ." Many opposed using the same name Sanex indicating that it implied the sanitary aspects of the product more than anything else. The packaging of Sanex in blue and white looked medicinal to many and signalled a product anything other than a bathroom product. "In fact, it is uniquely ugly with respect to the other bath products in the market such as Nivea" asserts Doornewaard. However, the marketing team understood very well that Sanex, which had been very successful in Spain, deserved more than off-the-cuff comments. In order to do a scientific analysis, the marketing team carried out detailed market research on Sanex in the "as is" condition (i.e., same name, same packaging, etc.)

To everyone's relief in Intradal and to Martin's complete dismay, the market research showed that Sanex would be a disaster in the Dutch market. The survey respondents clearly hated the product. Intradal was

not unfamiliar with market research studies, having carried out many in the past which had predicted actual outcomes remarkably well. In Sanex's case, Intradal would normally have abided by the marketing research results were it not for the assertiveness of its Marketing Director, Mr. Rien van der Veen.¹²

Luckily for Sanex, Rien happened to be an ex-CVL manager who had witnessed first-hand the introduction and growth of Sanex in Spain and who had personally experienced its success. During his stay at CVL, he had come to completely believe in the Sanex concept. As such, he placed less faith in the results of the Dutch market research studies. In the words of Rien, "it is very hard to design questionnaires for new products, especially for those that are radically new such as Sanex, since consumers hardly can tell anything about a new product." To him, it simply sounded foolish to ask the consumers about products that did not exist before. In an after-thought, Doornewaard completely agrees with him, noting the failures of market research studies carried out for New Coke and the Sony Walkman.¹³

Rien overruled the market research results and introduced Sanex in the Dutch market. He adopted the same name Sanex, adopted the same "ugly" packaging, same perfume, same market positioning, same pricing, same advertising, etc. He could not have been more correct. Sanex stormed into the Dutch market like a tornado. The product was so successful that SL/DE's competitors experienced formidable barriers to entering the market with similar products. The few companies who managed to launch their own dermo-protector products did not get to see much daylight, Sanex virtually became a monopoly in the Dutch dermo-protector segment. It ended up receiving many accolades such as "Innovative product of 1991." Sanex Shower, a product extension, also got off to a very good start, capturing around 4 percent of the market within a year of its introduction.

And, the marketing research group at Intradal learned an important lesson.

"Of course we did manage to change one thing," confesses Doornewaard rather proudly. "The Spanish packaging indicates that the product is for both skin and hair,

¹²The name of this case character has been disguised for confidentiality reasons.

¹³Coca Cola spent millions of dollars in marketing research in a bid to ensure that New Coke, the replacement for their historically successful 100 year-old mainstay soft drink product, would be very appealing to consumers, but on launch, the widely advertised New Coke failed miserably. On the other hand, market research predicted only a very small market for the Sony Walkman!

while the Dutch packaging stresses only skin and not hair.” Mr. Van Bemmelen former President of Intradal, offers an interesting explanation to this: “In Spain, we have a cultural difference. It has become a custom not to treat hair differently from skin, but in the market such as ours, hair is looked at differently from skin.” “For example,” he continues, “shampoo, the hair-specific product, has never been as important in Spain as it is here.”

Sanex was not only successful with its shower gel (liquid soap), but also was very successful with its deodorant and other product extensions. The runaway success of Sanex and its extensions in the Dutch market was partly due to the fact that the marketing team came up with many innovative promotional schemes. For example, door-to-door sampling was done for Sanex liquid soap in more than three waves; in 1991, the third year after Sanex liquid soap got off to a successful start, Sanex deodorant was introduced by giving away free samples to the purchasers of Sanex liquid soap. Thus, the Sanex user base was heavily inundated with product extensions, and before they knew it, had become strong and loyal consumers of Sanex products.

“It is not the Sanex soap or deodorant that our consumers buy,” vociferously objects Van Bemmelen, “it is the Health factor that our consumers buy from us through purchasing our Sanex products.” The marketing team saw to it that the “Health” concept, and not any specific product of Sanex, got projected in advertisements (they managed to maintain a 30 to 40% SOV in the first two years, which was very high in the Dutch market), packaging, etc. For example, they used the Spot Salad advertisement copy more than any other copy since it was only in that advertisement that the concept “Health,” and only the concept “Health,” came out. “What other connection could a consumer possibly make between a salad and a shower gel?” quips Van Bemmelen. This may have prompted the company to explore so many successful product extensions¹⁴ around this “Health” concept, and probably may not have happened if they had tried to build those extensions around, say, the Sanex liquid soap product.¹⁵

However, it became very clear to everyone at SL/DE that the key to Sanex’s success in the Dutch market was purely due to its strong and clear positioning strategy and the absolute support it received from the president at Intradal. This victory was crucial for

Sanex for many reasons: it was the first success outside Spain, the way success was achieved defied the prevailing rules of the game, and it hinged totally on top management support for the product and the winning Spanish theme.

Reaction from France

The initial reaction from France was similar to that from the Netherlands, but less negative. The management team of Kiwi France (the French subsidiary of SL/DE in the H&BC sector) was appalled by the Sanex brand name and its packaging style. “To the French,” asserts Mr. Corinne Oppenheim, the Sanex Product Manager of Kiwi France, “any word that ends with ‘ex’ sounds ‘hard’, and in our opinion, the name Sanex did not go well with the mildness (i.e., milder than pharmaceutical equivalent) property it portrayed.” All such misgivings Corinne had were shared by everyone on his management team.

Apparently not convinced by Sanex’s success story in Spain, Kiwi France carried out a marketing research study on Sanex in the “as is” condition. The study revealed that the French consumers shared the beliefs held by the management team of Kiwi France. Though the results were not as disastrous as those that came out of the Dutch market research study, they did not show any positive support for the Sanex brand name and the packaging style.

However, the research results showed that Sanex could be a strong niche product. Corinne explains: “It addresses shower gel users who want to take care of their skin and all people who take showers and who are attracted by the convenience of gel but refuse existing gels because they are too aggressive and unnatural.” The management team totally agreed on the fact that Sanex had a very clear USP in this segment:

Original & new:	Not yet used in France.
Modern:	Compared to present shower gels, the dermo-protector action is “up to date,” credible and serious (the pharmaceutical aspects, i.e., the neutral Ph level, etc., are credible).
Attractive:	For the shower gel users, Sanex is the gel that they have been waiting for that both washes and takes care of the skin, and for soap users, Sanex is attractive because it seems natural and less aggressive than other products.

Hence, the decision was taken to launch the product and Sanex appeared on the French retailers’ shelves in January 1991. Kiwi France maintained the Spanish strategy in principle; they favoured the strong and distinctive positioning of Sanex and the pricing strategy (i.e., premium pricing), but were less in favour of the advertising copies. Even in the positioning of the

¹⁴Since brand extensions needed to be approved by the Sanex co-ordinating team in Spain, the Netherlands team sometimes had to fight with the board for good board extensions.

¹⁵Mr. Van Bemmelen is rather proud that Intradal was able to successfully market the “Health” concept, which is much broader than the “Healthy Skin” concept marketed by his Spanish predecessor.

brand, Kiwi France made sure that Sanex addressed the needs of a good “shower” gel, and not the “shower & bath” product. “Addressing both bath and shower problems with a single product creates a misunderstanding since the French people use quite different products for bath (which is a leisurely affair) and shower (which is a quick affair),” explains Corinne. The French also prevented Sanex from targeting the hair-care sector, since in their opinion, it was not yet proven.

In the final analysis, Kiwi France maintained the same product, the same packaging (though the market research studies had showed that the French consumers wanted it to be a bit more attractive and lively), same price (i.e., premium price), and same advertising. “The main reason for adopting the same packaging and advertising in spite of lack of support from market research studies,” confesses Corinne, “is the fact that they are ‘distinct,’ serious and clearly understandable, thus satisfying the vital functions of a good communicator.” As a result, Sanex started off with a 1.2% share of the market (with sales 5.8 million FF) in 1991, and reached a market share of 2.2% (with sales of 18.6 million FF) the following year. The initial figures showed, in the words of Corinne, “Sanex looks successful in our country.”

Reaction from Denmark

The initial reaction from Blumoller, Denmark, (the Danish subsidiary of SL/DE) was very similar to those from the Netherlands and France. It was very negative. The management team and its president, Mr. Vangt Sinius Clausen, both hated the name Sanex and its packaging style, but they were somewhat positive about the perfume. The Danish team also conducted marketing research to test the Sanex name, packaging style, etc. The results showed that the Sanex name would be a disaster in the marketplace and the packaging was found to be unattractive.

However, the fact that Sanex had been hugely successful in Spain and because SL/DE’s chairman was interested in furthering its success made Vangt reconsider the issue. To the relief of both Martin and SL/DE senior management, he decided to give it a try. “In fact,” Vangt reflected on a similar situation a few years back, “our initial market research about Zendium, our very successful toothpaste, was also equally very negative, but we went ahead with it anyway because we believed in its positioning.” In Sanex’s case, the management team in Denmark fully agreed that the brand had a fantastic positioning, so it was decided to ignore the market research results and launch Sanex. The initial results indicated that the decision was right. Sanex clearly showed the signs of a very successful launch.

“I firmly believe,” asserts Vangt, “that Sanex will eventually get a market share higher than it mustered in Spain in the same time span.”

Reaction from the UK

Of all the negative reactions Martin received, probably those from the UK were the most severe. At the time, SL/DE did not have a full-fledged H&BC division in the UK. It intended to use Nicholas Laboratories (acquired for some other purpose) for handling Sanex. The principal manager of the Laboratories was Roger. From the very start, Roger kept raising objections, in a very authoritative tone. He argued that Sanex would imply something similar to sanitary napkins to a typical UK consumer, and hence labeling the liquid soap package as Sanex would be disastrous. Martin, of course, was not pleased as his goal was to make Sanex a Euro brand, and later a highly recognised global brand, similar to brands such as Kiwi, Coca Cola, Douwe Egberts and Sara Lee. Though the name Sanex was derived from the Spanish word ‘Sanos’ which means “healthy,” it had close links to similar sounding words in other languages which had somewhat similar meanings (Table 12). Martin further pointed out that all these different words in different languages were basically rooted in a Latin word which meant health.

“Sanex is not like Nova, the brand name the automobile giant General Motors tried to export to Mexico from the USA,”¹⁶ Martin argued. However, Roger was not about to give up his fight. He countered, “Of course, all these words mean the same in the dictionary, but people in different communities perceive the same word with different implications depending upon the cultural and other influences in the surroundings.”

Given SL/DE’s policy of subsidiary autonomy, Roger won the battle with Martin. He changed the name Sanex to Sante, altered the marketing strategies accordingly in every aspect, and launched the product in the UK in 1991. But by 1993, the results showed that Roger had lost the war, and lost it heavily. The product failed miserably. The mistake could have been anywhere in the system: the product itself,¹⁷ the new name Roger had adopted, the marketing plan, and/or simply the time of introduction. No one would know for sure what the reasons for failure were.

¹⁶It is rather well known that GM made a big mistake in carrying the car name Nova from the USA to Mexico, because the word Nova in Spanish implies “does not go.”

¹⁷It is worth noting that SL/DE already had a brand called Radox in the UK body care market.

TABLE 12
SANEX IN DIFFERENT LANGUAGES

<i>Language</i>	<i>Closest Word</i>	<i>Meaning</i>
Spanish	Sanos	Healthy
French	Sanitair	Healthy, carrying a medical flavor
English	Sanitary	Healthy, carrying a medical flavor
Dutch	Sanitas	Healthy

The Decisive Role of SL/DE Headquarters

“Without the unequivocal support granted by Headquarters,” Martin recalls, “Sanex would have remained confined to Spain.”

The board of management in the Netherlands was furious at the way things turned out in the UK. Members of the board had not initially intervened in the conversation between Martin and Roger, and in fact did not intervene in any of the countries’ objections to Martin’s plan and their marketing research. The board reasoned that the arguments would eventually result in a good plan for each country. That proved to be a mistake—a big and costly mistake.

SL/DE’s CEO had a dilemma. Either he had to let things be as they were (“status quo,” thus maintaining the subsidiaries’ autonomy over the internationalisation plan), or he had to initiate changes in policies and procedures and let them be dictated as far as Sanex was concerned (thus restricting the autonomy of the subsidiaries to a certain extent). He was sure of one thing, however. In his view, the potential success of the Sanex concept throughout Europe was dependent on maintaining its integrity. Moreover, the initial positive signals he had been receiving from Denmark and France, and especially what he saw in the Netherlands where Sanex succeeded in the “as is” condition thanks to the unequivocal support from the president, greatly influenced his ultimate decision to award full authority to pursuing a pan-European strategy based on the original Spanish strategy. Further, he personally believed that an effective implementation of this strategy to make Sanex a Euro brand would need

- a strong strategic consensus among all the country managers,
- a greater centralization of authority for setting policies and allocating resources, at least in the starting phase of Sanex, and
- outright support from the top management of SL/DE.

On the other hand, creating a new line of authority at the product level would certainly cause confusion and escalate organizational control problems. “Since SL/DE has so far been very successful thanks to the autonomy

enjoyed by its subsidiaries,” the board argued, “changing it for the sake of Sanex could prove to be a disaster.”

After carefully weighing the pros and cons of these two options, the CEO and the board decided to retain Martin as project coordinator (i.e., a staff function and not a line function). However, they also took steps to ensure that all the country managers understood that the Sanex concept received the full support of top management. Thus, in the second week of August 1993, SL/DE’s CEO called in all the country managers in the H&BC division, and directly informed them of his decision: Sanex was to be introduced in every country, Martin was the coordinating manager for Sanex across Europe empowered with decision-making responsibility such that anything to do with Sanex was subject to his approval, and that Martin should expect full support from each country.

MARTIN’S RATIONALE FOR THE PAN-EUROPEAN STRATEGY

Martin was in good spirits on his return flight to Spain. He had already made up his mind that Sanex had to be introduced in other European countries in the same fashion as was done in Spain and he was pleased that the board and the CEO, in particular, supported his position on the matter. He reclined fully in his seat, and slowly went over the arguments he put forth the day before to the CEO:

1. Having a single product with the same name and a similar packaging for all countries would enable mass production in the International Production Centre at Barcelona for the whole European market.

Mass production ensures consistent image and quality across countries (which is an attractive feature in itself since people travel a lot these days, especially across Europe, and many of them look for—if not search for—the familiar brand wherever they travel). In addition, mass production results in huge economics of scale through centralized purchasing and logistics design, and it results in rapidly lowering operating costs thanks to a faster learning curve (the phenomenon of gradual reduction in the unit cost of

- production with experience). The cash saved from production could, if needed, be applied to improving the effectiveness of marketing, through ensuring that Sanex obtains the maximum SOV and distribution support in each country it is entering, which are very important for the brand's success in any overcrowded market.
2. Thanks to the policies adopted by the EU in the past four decades, the Western European countries tend to converge in terms of people's buying power, consumption patterns (for example, more out-of-home consumption), standard of living, general economy of the countries such as per capita income and inflation, consumers' attitude toward maintaining good health and environment, interest and involvement in sports and cultural activities, and their readiness to support products with good value (for example, private label products).
 3. In the case of durable goods, where word-of mouth plays a significant role, and in the case of groceries such as cereal or beverages, where the consumption pattern is affected by the particular upbringing in a family and a society, there is a valid reason to believe that differences in the societal behaviour between two countries might influence sales. However, in the case of Sanex, which appeals explicitly to the rational part of the consumers' purchasing process, it can hardly be expected that there will be any significant differences between consumers of two different countries.
 4. Though Sanex addresses the whole market, it specifically appeals to those who care more about their health. These consumers tend to have similar lifestyle and purchasing behavior patterns (as far as buying products like Sanex is concerned) regardless of the nation or culture they belong to, just like the jazz lovers and pizza lovers across the world.
 5. The marketing conditions, such as the consumers' familiarity with various marketing tools and strategies, and their familiarity with brand proliferation and brand images do not look different from one country to another.
 6. Retail and distribution sectors of all the key European countries look alike, with the result that consumers in various European countries are affected (in their purchasing intention and behaviour) in a more or less similar manner to the marketing mix activities such as end-aisle displays in the supermarkets, promotions, price discounts, and media advertising.
 7. The market structure of the body care industry in terms of its key competitors and intracompetitive activities is not very different from one country to another.
 8. Sanex is positioned in a global body care sector, whether we like it or not, and thus it faces competition mainly from other multinationals and not locals. Hence, a global strategy is needed to wage an international competition.
 9. Last, but the most important of all the reasons, is the fact that the integrity of the Sanex concept should not be sacrificed for the sake of a country's idiosyncratic attributes. Moreover, its positioning is very strong and unique and cuts across all borders, whether national or cultural. And, we have a winning theme. Why disturb it?
- Martin paused to reflect for a moment. However convincing his arguments were in favour of a concept-consistent pan-European strategy for Sanex, however strong the SL/DE board was in favor of it, and however convincing the success of Sanex in the Netherlands, Martin could not avoid thinking about the possibility of a failure of his strategy in one country or another. After all, the marketing research studies in the Dutch, the French and the Danish markets had initially rejected the product. "Moreover," he could not help continuing in that line of thinking, "though the results I have been receiving from these three markets signal that Sanex is currently performing well, still I cannot overlook the fact that these early sales are only signals, and perhaps unreliable ones at that."
- As he adjusted his seat to the upright position in preparation for landing, his thoughts drifted back to the dancing shadows of the blades of the Dutch windmill which he noticed shortly after his plane departed from Schiphol Airport a scant few hours ago. Immediately, the image of Cervantes' hero Don Quixote attempting to tilt windmills came to mind. The recognition of the similarity of his situation to this fictional Spanish *cabellero* initially made him laugh but then caused him to wonder: Was he not also a modern-day Don Quixote challenging dominant paradigms and market research? Was he seeing things clearly, and were his instincts correct? Would his strategy to make Sanex a Euro brand succeed?

POSTSCRIPT 2000

The Sanex brand is currently marketed in more than twenty countries—primarily in Europe, but also in Asia and Africa. Nowadays, Sanex features a wide range of products, including bath and shower gels, deodorants, body care, shaving and hair care products. Sara Lee/DE plans further expansion in the Sanex product line and in the territories within which Sanex is marketed. In just fifteen years Sanex has developed from a local, Spanish brand into a successful Euro brand and is now on the threshold of becoming a true worldwide brand.

The Sanex concept still is healthy skin, the basic positioning still “Keeps Skin Healthy.” Due to its healthy skin concept, Sanex is inherently linked to sports. This sports/ health relationship has been successfully developed in many Sanex countries where consumers perceive the brand and its high-quality products as a com-

plement to their daily healthy routine and lifestyle. Since 1997, Sanex has been involved in professional women’s tennis. Initially it did this through the sponsorship of young, local tennis talents. In 2000 it was the title sponsor of the Sanex WTA Tour, the premier women’s sport Circuit in the world.

CASE 9

ANHEUSER-BUSCH INTERNATIONAL, INC.: MAKING INROADS INTO BRAZIL AND MEXICO

HISTORY

In 1852 George Schneider started a small brewery in St. Louis. Five years later the brewery faced insolvency. Several St. Louis businessmen purchased the brewery, launching an expansion largely financed by a loan from Eberhard Anheuser. By 1860 the enterprise had run into trouble again. Anheuser, with money already earned from a successful soap-manufacturing business, bought up the interest of minority creditors and became a brewery owner. In 1864 he joined forces with his new son-in-law, Adolphus Busch, a brewery supplier, and eventually Busch became president of the company. Busch is credited with transforming it into a giant industry and is therefore considered the founder of the company.

Busch wanted to break the barriers of all local beers and breweries, so he created a network of railside ice-houses to cool cars of beer being shipped long distances. This moved the company that much closer to becoming one of the first national beers.

In the late 1870s, Busch launched the industry’s first fleet of refrigerated cars, but they needed more to ensure the beer’s freshness over long distances. In response, Busch pioneered the use of a new pasteurization process.

In 1876 Busch created Budweiser, and today they brew Bud the same way as in 1876. In 1896 the company introduced Michelob as its first premium beer. By 1879 annual sales rose to more than 105,000 barrels and in 1901 the company reached the one-million barrel mark.

In 1913, after his father’s death, August A. Busch, Sr., took charge of the company. It was a rocky time for the industry, however, with World War I, Prohibition, and the Great Depression. To keep the company running,

Anheuser-Busch switched its emphasis to the production of corn products, baker’s yeast, ice cream, soft drinks, commercial refrigeration units, and truck bodies. They stopped most of these activities when Prohibition ended. However, the yeast production was kept and even expanded, to the point that Anheuser-Busch became the nation’s leading producer of compressed baker’s yeast through the encouragement of the company’s new president in 1934, Adolphus Busch III.

August A. Busch, Jr., succeeded his brother as president in 1946 and served as the company’s CEO until 1975. During this time eight branch breweries were constructed and annual sales increased from three million barrels in 1946 to more than 34 million in 1974. The company was extended to include family entertainment, real estate, can manufacturing, transportation, and major-league baseball.

August A. Busch III became president in 1974 and was named CEO in 1975. From that time to the present, the company opened three new breweries and acquired one. Other acquisitions included the nation’s second-largest baking company and Sea World. The company also increased vertical integration capabilities with the addition of new can manufacturing and malt production facilities, container recovery, metalized label printing, snack foods, and international marketing and creative services.

CORPORATE MISSION STATEMENT

Anheuser-Busch’s corporate mission statement provides the foundation for strategic planning for the company’s businesses:

The fundamental premise of the mission statement is that beer is and always will be Anheuser-Busch’s core business. In the brewing industry, Anheuser-Busch’s goals are to extend its position as the world’s leading brewer of quality

