

## Smile's Toothpaste Case

The Block Pharmaceutical Company is a well-known manufacturer of high quality cosmetics for women, teens and now men. A little over a year ago, Stewart Fine, the president and majority stockholder in Block, was scanning the financial statements for the past year. He did not like what he saw. At the next board meeting he stated that Block should be showing a higher sales and larger profits. It was generally agreed that the reason for the profit decline was that the firm had not added any new products in the past two years.

Management agreed to investigate this matter and remedy it, if possible.

After the meeting, Fine requested separate reports from the finance department, the marketing department, and research and development department. He found R&D had been working on several new products. One of their new products was a new toothpaste formula that might be put into production immediately if a new product were needed. Mr. Archer, the head of this new product group, assured Fine that the new ingredients in this toothpaste had remarkable qualities. Clinical tests had consistently shown that the new, as yet unnamed, dentifrice cleaned teeth better and prevented decay significantly more effectively than the toothpastes in the marketplace.

Based on these tests, Fine concluded that perhaps this product was what was needed and ordered work to proceed quickly to introduce this new toothpaste.

The marketing research department was asked to come up with a name that was pleasing, and a tube and a package with a unique design. The results were reported back within two months; the product was to be called "Smile" and the package would emphasize eye-pleasing pastels.

The marketing department decided to offer Smile along with its other "prestige", higher-priced products in drug stores---both chains and neighborhood stores. Block's success had been built on moving quality products through these outlets, and management felt that quality-oriented customers would probably be willing to pay a bit more for a significantly better toothpaste. Block was already well-established with the wholesalers selling to retailers and experienced little difficulty attaining shelf-space for Smile.

It is now six months after the introduction of Smile and the sales results have not been good. The established wholesalers and retailers carried the product, but final customers purchased little. And now many retailers are requesting that Block accept returns on Smile because obviously it is not going to catch on with families, despite the extremely large (matching competitors) amounts of spending for advertising.

Fine has requested that the SVP of Marketing & Communications, I.M. Smart, and the marketing research department analyze the situation and explain the disappointing results.

An outside market research agency interviewed several hundred consumers and has tabulated the results. The report is summarized in the following quotes:

- "I never saw that brand at the supermarket I shop at."
- "The stuff I'm using now tastes good...Smile tastes terrible...I returned mine to the store for a refund."
- "I like the toothpaste that I'm using...why should I change."
- "I'm not going to pay that much for a toothpaste...it couldn't be that much better."