



Procter & Gamble Italy: The Pringles Launch (A)

We can't run aground now, not after all the work we've done. The Global Business Unit (GBU) understands our vision; they haven't criticized a thing. But they're asking us to decide which route needs to be taken. We've been examining the various alternatives for months now: the time has come to make a decision. What should our launch strategy be? The GBU is waiting for our final conclusions, and there's no time to lose if we want to be on the market in eight months' time. Let's wrap up the work we've been doing; first thing Monday morning, we meet and decide.

It was a hot Friday in August 1998 when Paola Aruta, marketing director for P&G in charge of the work team formed for the Pringles launch, wrapped up the meeting with this exhortation and left the meeting room.

Emanuele Carando, brand manager for the new product, picked up the heavy file of materials relating to the project and headed towards his office with a worried expression on his face. He had been on the project from the very start, and felt more involved than the others. Carando believed in the ideas that the team had developed, but to alter the strategy that the GBU had provided them with would mean a major change in direction: that strategy had worked for almost 10 years now, in 20 different markets. "Was it really possible, he thought, "that—as usual—we Italians are so different from the others?"

Once back at his desk, Carando sat down, lost in thought, and looked wearily at the pile of documents that been accumulating as the project went ahead. He had read and analyzed everything in that pile at least a thousand times . . . and now he was going to have to do it again. With a sigh, he listlessly opened the first folder: it was the research study on Italian eating trends.

Absentmindedly, Carando opened a tube of Pringles that had been left on his desk and began munching on a handful of chips. Bit by bit, his mood began to change. "Hmm . . .," he thought to himself, "it's true; they really *do* put you in a good mood."

Procter & Gamble

Procter & Gamble (P&G) was founded in 1837 in Cincinnati, Ohio. With innovative strategy and an intimate understanding of consumer needs, this small family-run concern was to become one of the world's most important consumer-goods businesses. By 1999, P&G was distributing more than 300 brands to more than five billion consumers in 140 different countries, generating total sales of

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more than 38 billion dollars and providing jobs to some 110,000 employees. It had become the leader in numerous market sectors: from detergents to household cleaning products, from personal healthcare and beauty to pharmaceutical products, from paper manufacture to food products.

One of the major capabilities underlying P&G's success was its ability to link the multiple technologies acquired by the company over time in order to create innovative, highly original products.



Since its founding, the company's continued determination to launch new products—and to improve the existing ones—had been the real key to its success. In fact, by 1999 the company was investing more than two billion dollars annually in research and development—4.5% of total sales. Some 8,000 researchers were at work in the company's 22 research centers throughout the world, and their efforts had led to more than 3,800 new patents every year.

It was during the 1980s that P&G became a truly global company, strengthening its presence in existing businesses, investing in new industries, and expanding its presence internationally. To speed up this process, the company had followed an external growth strategy, making a series of acquisitions. The acquisition of Norwich Eaton Pharmaceuticals and the takeover of Richardson-Vicks, for example, had helped P&G consolidate its position in the pharmaceutical industry.

P&G continued to expand throughout the 1990s, acquiring other companies such as Noxell, Max Factor and Ellen Betrix, and consequently fortifying its position in the household cleaning and personal healthcare product sectors. In the process, the company's international activities came to account for almost half of total sales.

P&G first started up business in Europe in 1924, with the acquisition of Thomas Hedley in Great Britain. By the eve of the year 2000, it had become one of Europe's top industrial groups, with total sales amounting to more than 12 billion Euros. By 1999, the European market accounted for

some 30% of P&G's total sales, with more than 28,000 employees in 35 manufacturing plants and 6 technical research and planning centers, and more than 100 brands in 31 European countries. By taking advantage of the cumulative expertise of its numerous local affiliates, P&G had found a way to successfully adapt global policies to the needs of specific markets.

Indeed, P&G management was keenly aware that in order to achieve success at the local level, in-depth familiarity with local competitive scenarios was a must. It was of fundamental importance, therefore, to invest in research to gain familiarity with individual markets. Indeed, P&G had realized that the simultaneous launch of a given product in several countries could prove risky without an understanding of the differing environmental and market situation within each of them.

P&G had learned its lesson from the initially problematic European launch of Vizir, in the 1980s. Vizir had come to life in America, thanks to a new technology that facilitated the development of liquid laundry detergents. Based on the product's major success in the United States, P&G decided to quickly launch the product in Europe as well.

Yet in carrying out this project P&G underestimated a fundamentally important technical detail: European washing machines were not yet equipped for the use of liquid detergents. In fact, when a liquid detergent was poured into the detergent tray rather than a powder, the washing machine would fail to use about 20% of the product, leaving it behind in the try.

To remedy the problem, P&G created Vizirette. A container to be filled with liquid detergent and placed directly inside the basket along with the dirty laundry, Vizirette distributed the detergent evenly only as the basket began filling up with water.

By 1998, Vizir had become the third top-selling laundry detergent in France, and was also reaping considerable success in Germany, Belgium, Holland, Switzerland and Austria. The product's success had been made possible thanks to the ability of P&G's local organizations to adapt a global product to the needs of local consumers.

P&G in Italy

By 1999, Procter & Gamble employed 2,000 people in Italy—at P&G Italy's headquarters in Rome; in the company's four factories: Pomezia (near Rome), Altopascio (near Lucca), Gattatico (near Reggio Emilia); and Campochiaro (near Campobasso), and at two research centers in Rome and Pescara. Total sales for the P&G group in Italy for fiscal year 1998/1999 amounted to some 1,200 million Euros. The major P&G brands on the Italian market were, except for a few exceptions, the same ones that had made a name for themselves throughout Europe: *Ace*, *Ariel*, *AZ*, *Bounty*, *Dash*, *Febreze*, *Pampers*, *Pantene*, *Swiffer*, and *Tempo*. A constant stream of new product launches and subsequent market share growth characterized the success of the Italian subsidiary.

P&G first came to Italy in 1956, choosing Rome as the location for its first company headquarters there and setting up a research laboratory inside an apartment. A year later, the company moved to Genoa in order to be closer to the Mira di Rivarolo factory (in the greater Genoa area), which at the time produced the company's hand-soaps. In 1957 the company began selling its Camay soap and Spic & Span detergent.

Company headquarters was an apartment, with two bathrooms and a kitchen. In this homey atmosphere—an honest-to-goodness laboratory for ideas and creativity—five managers and four secretaries labored daily to develop and make a name for Camay and Spic & Span on the Italian market.

Since 1959 expansion in Italy has been progressive and profitable, sustained by a launches of winning products and brands: the detergent Tide, one of the company's most successful products in the United States, Ace bleach, Dash and Ariel detergent, Safeguard soap, Lenor softener, and others.

In 1976 P&G celebrated its first twenty years in Italy. In the same year the company decided to take over the *Società Generale del Caffè* (General Coffee Company), a move that enabled it to enter the food market with new products such as Splendid and Caramba.

1980 was characterized by the move of headquarters to a strategic area of Rome—the E.U.R.—in a brand new building. During those years two new factories were built in order to manufacture locally Ace bleach and Pampers diapers.

1987 was the year of major celebrations: Procter & Gamble had in fact reached its 150th birthday. Following a series of takeovers that year (Vicks International of *Vitaplus Farmaceutici*, Norwich Eaton Pharmaceuticals and its subsidiaries throughout the world, the Italian *Istituto Farmochimico Nativelle*), the company created another division that focused exclusively on personal healthcare and beauty products.

In 1989 the company bought *Nelsen*, a company in the detergents sector that was particularly important because of its valuable know-how in the manufacture and packaging of plastic bottles. Further acquisitions in 1991 included *Max Factor* and *Ellen Betrix*, moves that enabled Procter & Gamble to take on worldwide importance in cosmetics and perfumes. This presence was expanded when P&G acquired licenses for the *Laura Biagiotti*, *Hugo Boss* and *Giorgio Beverly Hills* perfumes.

In 1995, P&G bought the *VP Schickedanz* company, manufacturer of *Tempo* tissues, toilet paper and *Demak'up* cotton makeup-removal pads. In celebration of the company's fortieth birthday in Italy, *Noxema* became part of the huge P&G family, bringing with it specific know-how regarding shaving cream and after-shave products.

The New Structure: “Organization 2005”

The challenge of the global market dynamics of the beginning of the third millennium meant moving quickly and proactively, anticipating new trends, and building on the capabilities of the company. In anticipation of the competitive challenges lying ahead, then, it launched a revolutionary company-restructuring project on the eve of the year 2000.

The reorganization's objective was to allow the company to accelerate its development from within, bringing it at least to the same level of the world's most innovative companies. Named “Organization 2005,” the plan had well-defined objectives:

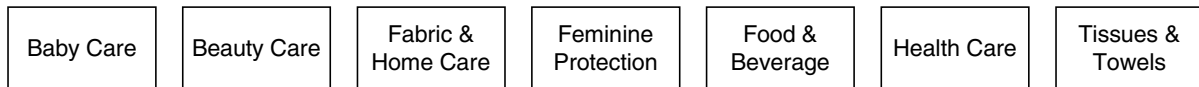
- to generate a global company vision for the creation of market-leading products;
- to significantly increase the speed with which shared objectives were decided upon, and to reach these objectives in an innovative manner;
- to promote improved collaboration by taking full advantage of the synergies provided by different functions working together;
- to increase creativity and exploit P&G's size and global presence to the fullest extent.

To sum up, using P&G's key words, the objective was “*Stretch, Speed, Innovation.*”

The project design split P&G into four main organizational units:

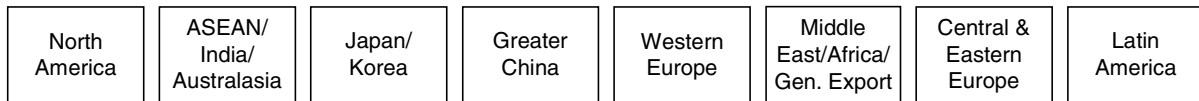


Seven Global Business Units (GBU) were established, based on product categories, and made responsible for strategy definition and new product development. Each GBU acted as a single global company, heedless of geographical considerations.



The GBUs drove innovation and global management for individual brands, fulfilling unsatisfied consumer needs through the development of new technologies and products. They were responsible for consolidating and building up brand equity, and for devising marketing models that could rapidly be applied worldwide, in cooperation with the local Market Development Organizations (MDOs).

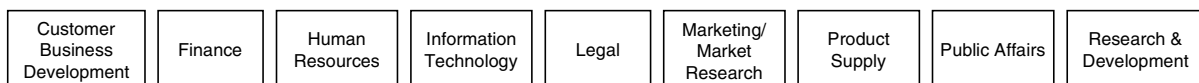
Structured in nine different geographical regions, the MDOs were responsible for planning the market strategies, market development, external relations, and management of P&G's local organizations. The key to the company's success in the different markets, in fact, was going to be determined by the ability of these MDOs to develop their local markets, prepare them for the launch and distribution of new products, accelerate the time-to-market, and discover alternative channels for reaching clients and satisfying their needs.



To this end, multifunctional work groups were involved during initial phases of the product development process. One of the key elements of the P&G restructuring, in fact, was the way in which resources from the various functions would be coordinated: individuals involved in product design would work closely with those developing marketing plans, those selling the product, and those researching consumer and trade preferences.

In order to focus and streamline internal support services, P&G created Global Business Services (GBS): financial management, human resources, order management, and systemic and technological infrastructure were thus all united within a single worldwide structure.

Determined to take full advantage of the opportunities provided by the company's multifunctional work and extensive internal diversity, P&G also redefined staff roles, creating nine separate corporate functions. The task of this staff was to ensure that functional know-how developed over 160 years of company history would be maintained and updated in light of both internal and external input, and to ensure its transfer to the company's operative structures.



It was clear that profound “cultural” changes were in order if P&G wanted to achieve the ambitious objectives set forth in the plan—i.e., “*Stretch, Speed, and Innovation.*” A transformation in company mentality was going to have to take place, with P&G rewarding personnel who, through brave decision-making, were able to come up with innovative—perhaps even revolutionary—solutions, and to take responsibility for all associated risks.

In order to foster such a change, P&G was going to need to modify some of its company management tools, such as:

- the incentive system;
- decision-making processes;
- the coaching and human resource development system.

To convey the full significance of the change, P&G Italy’s President and Managing Director, Fabrizio Freda, said,

If P&G is going to develop further we need to wed our global strategies to the needs of local markets. We’ve realized that the new global arena requires a profound change in the way we operate: the traditional organizational model, which duplicated the exact same structures, hierarchies and bureaucracies in each geographical area, was not allowing us to respond quickly to changing market needs.

The objective of Organization 2005 is to increase autonomy, innovative capacity, and speed in handling markets, in order to make the very best of growth opportunities. We are therefore going to abandon our structure based on organizations at the continental level, and hand over to seven global divisions—one for each business category—primary responsibility for devising and developing innovative global technologies and new solutions for consumers. Our local structures will focus on their own markets, responsible for customizing the right products and services for consumers and finding the right solutions for satisfying commercial partners. These structures will also need to interact constructively with government organizations and local communities. Moreover, some administrative and support services will be globally centralized and coordinated.

P&G’s organizational revolution will be accompanied by a profound cultural change, one that starts off from a fixed point: to keep our values and principles intact, yet has the courage to reinvent everything else. And this change isn’t going to take place gradually, incrementally; it’s going to happen in an extremely short time interval. To encourage the tendency to take risks, we’ve decided that we’ll reward even failed ventures, provided that they were the fruit of a reasonable risk. We want to free our people’s creativity from bureaucratic constraints, generating ideas that can truly alter the pace of our business. That’s why, for example, we’ve established an internal venture capital fund to finance the best ideas proposed by any of our employees, especially the very youngest.”

The Birth of Pringles

The story of Pringles is one of Procter & Gamble’s best known. The idea was first born in 1957, a time when the fledgling American snack market promised great growth potential. It was also heavily fragmented, made up of innumerable local manufacturers, each with tiny market shares that were difficult to increase due to the distribution-related difficulties typical of products with brief shelf-life. The potato chips existing on the market had serious flaws: they frequently reached the customer in crumbs, were greasy, and, once the package had been opened, quickly became stale.

It was in this context that P&G made its first attempts to find a production process able to eliminate these problems. The company was able to base this process on its ability to combine various technologies: in this case, it linked cake mixture preparation technology with frying and paper manufacturing technologies. However, the initial result of these attempts was not considered up to par with the company's quality standards, and the project was temporarily put aside.

In the 1960s, due to strong demand in the salty snack market and the persisting dissatisfaction of American consumers with existing products, the project was restarted. To meet consumer needs, P&G aimed to offer a product that didn't crumble, was not greasy, and was packaged in a way that would keep the chip whole. Moreover, it was considered critical to maintain the product's freshness for as long as possible, in order to be able to distribute the product more broadly and not have to rely on direct sales.

Distribution of potato chips had been highly inefficient and costly. In fact, in order to be able to ensure that product on store shelves was always fresh, it had been necessary to re-supply distributors at very brief time intervals, with hundreds of retailers working on direct sales. P&G aimed at developing a product that could be distributed along with its other products via traditional systems, at the same time retaining the freshness of the new product.

In 1970s, after 13 years, P&G finally created the winning product: Pringles. Following a decision to launch it in two separate areas of the United States, the new product proved an immediate success in both. In 1971, P&G launched Pringles nationwide.

With advertising that highlighted the enjoyment felt when eating Pringles, sales took off. By the mid-1970s, annual sales were six million cases. Despite this success, convinced that there was room for even more growth, P&G began a new phase of revitalization for Pringles.

In the 1990s, the product was launched all over the world (see **Exhibit 1**), with significant success everywhere; Pringles had become a world leader.

The Decision to Launch Pringles in Italy

In 1990, P&G top management decided that it was the right time to expand into Western Europe, hoping to replicate the product's success in the American market. This decision was part of a broader development strategy for foods, a business that the company had formerly considered almost as an "accessory" to its core business. The significant market shares already held by P&G in nonfoods sectors meant that further growth there, in markets already at the peak of their maturity, was going to be increasingly costly. Attempts had been made to develop the company's traditional businesses in the emerging markets in the East, but cultural differences—and the fact that most of the population still had limited purchasing power—had not allowed the hoped-for results. A decision was made, therefore, to revitalize the foods sector by taking advantage of the strong presence of P&G products in the best-established European markets. And what product was more suitable than Pringles to lead the rest of the food line?

Due to its strong similarity with the U.S. market, England was chosen as Pringles' first European market. Prior to entering the country, though, the company conducted a market test in Ireland. The circumstances in which this test was carried out were very difficult, with no marketing support whatsoever: the product was placed at retail outlets without any promotional activities, to see just how well it could make a name for itself through the mere strength of the product.

Encouraged by the excellent results obtained in Ireland even under such difficult conditions, P&G decided that it was indeed the right time to enter England. With promotional and advertising support, the product quickly earned a significant share of the market.

After the United Kingdom, the company took on Germany, a market where the product category was strong, and consumption patterns strongly similar to those in the North American market. In this case, too, a test was carried out beforehand in Austria; following its launch in Germany, the product again achieved success.

The plan now was to expand into southern Europe, where consumption patterns were entirely different; penetration in the salty snacks category was low, and it was therefore more important to develop primary demand than to grab market share from competitors. This meant that it wasn't going to be enough to highlight the differentiating characteristics and superiority of Pringles; the major challenge was to modify the consumption habits of the potential consumers of the product.

The weak consumption for the whole product category was also due to the perception that potato chips were unhealthy, a notion that was particularly widespread in Italy. For this reason, and also due to the fact that distribution there was less fragmented, priority was given to Spain and to Greece. Furthermore, the sector leader, Frito Lay—an American colossus, part of the Pepsi group—was already an established presence in these countries.

After carrying out a test in Portugal, P&G launched Pringles in Spain and Greece. Once again, the product's success met all expectations, and Pringles consolidated its presence in these markets (see **Exhibit 2**).

The time had come to tackle the Italian market (in France, where the product was launched in 1994, it had encountered considerable difficulty due to distribution problems).

The Italian market was characterized by a lower degree of penetration of salty snacks than in other European countries; indeed, not even Frito Lay had established a presence there. This relative underdevelopment of the salty snacks category derived from a series of factors, including:

- strong consumer preference for sweet snacks, driven by market leaders such as Ferrero and Mulino Bianco;
- the perception that salty snacks (the country's oily potato chips, in particular) were unhealthy;
- salty snack consumption focused around the *aperitivo* [aperitif] and parties;
- little attention paid by manufacturers to consumer needs, due in part to the presence of a strong oligopoly.

In comparison with other European countries, none of the four categories into which the salty snack market was split showed significant pro capita consumption for Italy (see **Exhibits 3 and 4**). Thus, while the Italian market had significant opportunities for development, it was not hard to see why P&G had focused on other European countries.

The Origin of the New Product

Pringles had been developed with particular taste characteristics meant to satisfy the American custom of "dipping." In America (and in Mexico, too, with a spicy dip), there was a widespread custom of preparing small bowls of tasty sauces, or "dips," as an aperitif, thick enough for a small cracker or corn chip (*nachos* in Mexico) to be dunked into—and coated with—before eating. The custom was similar to the Italian tradition of dipping bits of bread in oil with salt.

Sometimes potato chips were substituted for corn chips; however, because typical dips (often made with a sour cream base) were thick, potato chips would often break. With its rounded disc-shape, similar to a large spoon, Pringles had been purposely designed to improve on both the traditional potato chip (too thin to scoop up dip without breaking) and the corn chip (which quickly became stale). The idea of adding flavors to the surface of the Pringles chips was meant to complete this original intention: the taste of the salsa was incorporated into the chip itself, becoming a sort of convenient “ready made dip.” No more need for a bowl, plus a dip and a potato chip to be dipped into it: Pringles, with its many flavors, was all you needed.

The Snack Market in Italy

The Italian salty snacks market was split into four product categories, each with its own production technology:

- potato chips;
- salty biscuits and crackers;
- popcorn;
- salted nuts.

The potential substitutes for potato chips went well beyond this list, however. The purposes of a snack are as numerous as the occasions during which it is eaten: breakfast (in Italy, typically sweet snacks), or as an aperitif (in Italy, typically salty snacks), or as a treat in the afternoon, or, increasingly, replacing lunch in the office. This made it very difficult to assess the market potential of a new salty snack product: the occasions for consumption that the product might be able to satisfy were practically infinite, and limits to growth would be determined only by the degree of acceptance of the product by potential consumers. Thus, the objective of Pringles strategy was to win “stomach share,” and to generate new appetites.

Snacks represented the fourth largest segment of the Italian grocery market, accounting for 11% of overall food value. The Italian snacks market was heavily tipped in favor of sweet products, which represented two-thirds of sales, some 2,250 billion lire.

The sweet snacks sector was characterized by:

- a strong focus on consumer needs;
- constant innovation of products and packaging;
- heavy investments in advertising and trade promotion.

None of these elements, so fundamental for stimulating demand, were to be found in the salty snacks sector.

With this weak marketing orientation, there had been little expansion of the salty snacks sector: Few products existed for adults, and the products that did exist incorporated few of the features that consumers desired (nonrecloseable packaging offered little protection for the product; existing products had limited visibility; products were messy to eat; etc.). But the fact that these products were perceived as being unhealthy was especially important in impeding their growth, particularly during the health-conscious 1980s.

Salty Snacks: The Competitive Scenario

Potato chips and popcorn accounted for about 75% of total Italian sales value. While the price of potato chips was on average relatively low, just a little bit higher than that of crackers, product profitability was satisfactory (see **Exhibit 5**).

Pringles' challenge was to stimulate demand by emphasizing the product's new aspects, and thereby generating stronger sales volumes.

About 70 companies served the Italian snacks market, as well as several importers and private label brands, but the top 4 companies were responsible for more than 70% of sales, and the top eight accounted for almost 95% of volume.

San Carlo was the market leader, with a share more than twice as large as that of the second leading company, Saiwa (see **Exhibits 6 and 7**), but its strength was even greater in the potato chip category, with a relative share 3.7 times greater than Amica's (see **Exhibits 8 and 9**).

San Carlo's leadership was challenged by Ica in the catering and bar channel, where promotion to trade diminished brand value, making possible a significant presence for unbranded products (see **Exhibit 10**).

In the potato chip category the leading companies held a significant market share, with brand awareness and scope of distribution their most important competitive capabilities (see **Exhibit 11**).

There had been little prior innovation in the potato chip category: a few new flavors, "natural" or "country-style" versions, packages with gadgets linked to popular movies, and multi-packs. It had been quite a while since something truly new had come along to stimulate the market. Thus, the challenge for Pringles revolved around its ability to convey to the market the significance of the product's novelty.

The real obstacle to P&G's entrance in this market was distribution. As impulse purchases, snack products were often consumed away from home, meaning that the alternative channel—the so-called Ho.Re.Ca (hotel, restaurant and catering) channel—accounted for a good part of sales. Impulse purchases played a particularly important role during the launch phase of a new product. Subsequent repeat purchases could then take place in traditional channels. This support role for the mass channels represented a potential problem for the distribution of Pringles, since traditionally P&G's marketing and distribution strength had been concentrated in the mass channels alone. Pringles could not afford to ignore the numerous alternative retail outlets, where, moreover, the competition had established a strong presence. Yet serving these outlets—often marginal on a per-unit level—would mean dealing with some 600,000 retail outlets (see **Exhibits 12 and 13**).

Competitors

Shelf assortments that included all four categories of salty snack products drove sales, particularly in the alternative channels. San Carlo, Ica and Amica were all strong in terms of product line breadth and depth; Pringles could not match this.

An analysis of advertising budgets made the Italian snack sector look even more concentrated. Nineteen ninety-eight had seen investments of some 20 billion lire, and San Carlo had conquered a 36% voice share, all of which had been reinvested in its Highlander brand potato chips (see **Exhibit 14**). Advertising content often showed carefree social moments, with young people coming together to snack on products. There were frequent references to U.S. culture, particularly for popcorn.

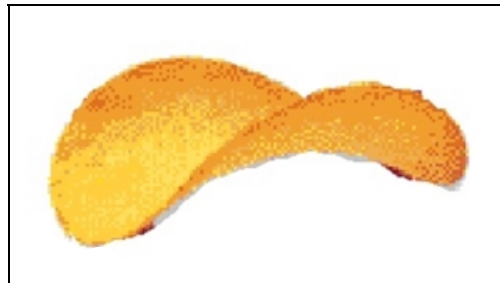
The average price of salty snacks per kilo in Italy was 12,680 lire in supermarkets and 19,800 lire in bars. For a single small bag (100 grams), prices varied from 1,500 to 2,500 lire per pack, going as high as 3,000 lire per unit in the alternative channels, where price sensitivity was less.

There had been a “potato sliver” on the market for some time that was quite similar to Pringles, both in terms of product type and packaging. Manufactured by Bahlsen, *Chipsletten* was in fact a kind of “potato-flake sliver,” with a curved, oval shape like that of Pringles. It came in a cardboard tube container in three different flavors: salty, paprika, and spicy.

Its similarity to Pringles caused some concern, not so much because P&G feared being unable to distinguish Pringles from the Bahlsen product, but because up to that point *Chipsletten* had not been particularly successful. Bahlsen had enjoyed a strong brand image, and price positioning (1,800 lire for 100 grams); it was also true that Bahlsen distribution was highly selective, with a target made up of adults consuming the product during the *aperitivo*. San Carlo had launched a similar product (*Top D'or*) years before, subsequently taking it off the market due to poor sales.

Even taking into consideration the fact that Pringles had characteristics that would allow P&G to carve out a distinct positioning for itself, the historical precedents were not particularly encouraging. However, Pringles had a series of traits that made it unique:

- a double “saddle-style” curve, unlike the simpler shape of Chipsletten;



- the chip batter, which was based on a mixture of dehydrated potato flakes enriched with corn flour and wheat starch;
- the chip's thinness—just a few millimeters—that helped to make it even crunchier;
- the frying oil, a mixture of vegetable oils that was particularly high in nonsaturated fatty acids;
- the frying process itself, which took place in a extremely rapid time period and at quite high temperatures, ensuring that the product would not be greasy;
- the near absence of oxygen during the frying process, plus a special type of packaging that kept the product from having a “rancid oil” aftertaste
- the packaging, with its cap's recloseable hermetic seal, that made it possible to preserve the product for up to 15 months, as well as protecting it during transport and warehousing;

- the herbs and spices, sprinkled only on one side of Pringles (so as to vary the flavor in the consumer's mouth, depending on which side of the chip landed on his/her tongue first), that brought out the product's flavor and smell.

Carando and his team believed that Pringles really *was* a different kind of potato chip. Their challenge was to find a way to get this fact through to the "inexpert" Italian consumers.

Consumers

Along with his team, Emanuele Carando had analyzed the results of the various market research studies that had been conducted to understand the expectations and reactions of Italian consumers to a product like Pringles. There was plenty of such information available from the product's experiences abroad. By studying the numerous markets in which Pringles had been highly successful, the team hoped to get at the fundamental elements underlying Pringles' success.

Even so, the team believed that it was important to check out any possible peculiarities in the Italian market, which might necessitate making changes to the formula that had proven so successful elsewhere.

(a) The target market For some time, age-based market segmentation had been considered critical in the United States, the largest market for Pringles (and of potato chips in general). Children ranging from 13 to 17 years of age were the heaviest consumers of such products, but considering the size, and decision-making influence of the various age groups, had led P&G to aim its product at those between 18 and 44 years of age (see **Exhibit 15**). The picture was the same in the United Kingdom and in Germany (see **Exhibits 16 and 17**).

In Spain, but even more so in Italy, the 13 to 17 year age group seemed a more appropriate core target market due to the greater decision-making power of these children. And, in Italy, because of the quantities consumed (with respect to the Italian average), the consumption index for the 5 to 12 year age group was quite high, even if the low decision-making power of this age group might excluded it from the core target (see **Exhibits 18 and 19**).

Fundamentally, the GBU had suggested that:

- the target group for the European countries could be identified in the broad age segment ranging from 13 to 44 years of age;
- the core target group for the United Kingdom and Germany was composed of consumers ranging in age from 18 to 44 years, while for Spain and Italy it went from 13 to 44 years of age;
- the communication target was comprised of those individuals responsible for purchasing with children ranging in age from 5 to 17 years, since the former not only consumed the product category themselves, but also directed their children's eating habits.

(b) Food trends In order to confirm the appropriateness of the GBU's guidelines, and to assess whether it was the right time to enter the Italian market, the team initiated a research project with a Milan-based market research institute. Survey results could be summarized as follows:

1980s:

- simpler meals;
- a desire to experiment;
- a focus on health and figure.

1990s:

- less regular, more frequent meals (intergenerational growth of breakfast and snacking trends);
- a quest for oral gratification and diminishing health-consciousness;
- greater focus on service and convenience.

In terms of the growing snacking trend, the market research provided clear indications:

- the presence of a “snacking boom,” driven mainly by morning consumption and found not only among young people but also adults;
- increasing consumption away from home;
- a strong preference for sweet snacks; but
- a growing demand for salty products (see **Exhibits 20 and 21**).

The study pinpointed three segments of consumers within the snacks market, each with its own behavioral patterns and attitudes: the “hedonists,” the “health freaks,” and the “followers.”

The “hedonists” were heavy snack consumers, concentrated in the younger age groups; they had a predilection for salty snacks, were quick to embrace new products, and demanded taste satisfaction and service. The “health freaks” were concentrated in the young adult age group (but their numbers were in decline), and tended to see snacks as unhealthy. The “followers” were concentrated in the adult age groups; their snack consumption was low, but growing rapidly (see **Exhibits 22 and 23**).

(c) Product acceptance In line with usual company practice, Emanuele Carando had a test carried out to assess the likely acceptance of the product and the impact of the marketing plan. The method used was the P&G standard worldwide. The use of such a standardized test made it possible to compare results to those in other countries, helping to calibrate the elements in an optimum marketing mix and providing indications regarding the demand that could be potentially generated by the new product.

The main questions had to do with potential volumes in the year of the product launch and in the two years thereafter, but P&G also wanted to test flavor preferences: in addition to the two already decided upon—Original and Sour Cream & Onion—there was uncertainty as to whether to offer Paprika or Barbecue flavor, the latter being somewhat more of a novelty for the Italian market.

The market test evidenced an excellent acceptance level for Pringles, in terms of both product concept and the appeal of the product itself in taste tests. In fact, the data were stronger than those in all the other countries in which the product had been tested. The highest value was given for intention to purchase (see **Exhibit 24a**).

In terms of qualitative data, the test provided indications regarding the optimal flavor mix. Due to its originality, Barbecue flavor stimulated the most interest upon first taste, but Paprika flavor prevailed in terms of repeat purchases. Thus while Barbecue seemed more innovative (the desire to experiment), Paprika was perceived as being more “reassuring” for regular consumption (see **Exhibits 24b and 24c**).

In addition, the introduction of a smaller 50-gram package to be distributed in bars and alternative channels seemed able to increase volumes by more than 20%, stimulating consumers to try out the product and purchase it on impulse.

One of the most obvious characteristics of Pringles, and one that was greatly appreciated by young people even before they had tasted the product, was its packaging: since it resembled a tin can, the tube was already comfortable in the snack-consumption arena (when snacking, you drink directly from cans). It was easy to handle, resistant, and protected the product. Potentially, the tube could actually become a sort of “recreational toy”: it rolled, you could drum on it, and—in case you didn’t finish all the Pringles, an infrequent occurrence—you could reclose it without any problems.

While Pringles’ uniqueness on the salty snacks panorama seemed clear, this perception meant that consumers experienced the product as something other than a potato chip, something less “natural” than the raw material from which it was made. Its standardized shape, with each chip identical to the next, only added to this impression.

The most encouraging results emerged from direct comparison of the product with those of competitors (see **Exhibit 25**): taste tests confirmed that Pringles was crunchier, something to be eaten with your friends, irresistible, and fun. Pringles fully met the expectations of people looking to munch on a snack, in the carefree company of friends (see **Exhibit 26**).

Asked why they ate potato chips, young people gave these answers:

- Not only did potato chips satisfy their appetites, they also ate them to alter their state of mind.
- There were no limits to the desire to eat potato chips, no absolute satisfaction “threshold.”
- Eating potato chips was fun, often a social occasion.
- Eating potato chips went beyond taste: the experience was linked to crunchiness, texture, to the sensation that the potato chip generated on contact with the mouth.

These kids were looking for fun, a bit of rule breaking; they longed to escape from boredom, and tests indicated that Pringles seemed able to help them do it. A Pringles chip “worked” better than a normal potato chip—“You could fit it into your mouth in a hundred different ways: whole; perched on your tongue, with the nonflavored part either upwards or downwards; just one chip, or five at a time. Pringles chips constantly gave new sensations, you never got tired of them”

With traditional potato chips, on the other hand, by the time you’d gotten through half the bag, your fingers were greasy, you started to find ever-smaller bits of chips, instead of whole ones, then just crumbs—so that after eating just half the bag, what had started as a pleasant experience had turned into a disappointment. And it was with this sense of disappointment that you finished the bag, tossing it away without any desire to open another one. With Pringles, it was a whole different story. The young interviewees affirmed that the pleasure didn’t come to an end until the tube was empty, and then they had the urge to open a new one right away. No broken chips, no greasy fingers, just fun and flavor. *Pringles: once you Pop, you can’t stop!*

The specific appeal of Pringles for kids was clear and summarized by the chart below:

Pringles versus Other Chips

	Pringles	Leading Poato Chips
They're crunchy	+++	++
They're fun to eat	+++	++
They're always whole	+++++	++
The flavors are fantastic	+++	++
They're not greasy	+++	++

The Product Launch Decision

Everything seemed ready for the launch. The marketing mix, in fact, was nearly completely settled; because Italy was one of the last European countries in which the product was to be launched, but the marketing team was still uncomfortable with the present options:

a) **Target market:** to follow the GBU guidelines, whose success was proven, aiming the product at mothers and fathers with children from 5 to 17 years old; or to choose another target?

b) **Positioning:** a mass product to be introduced as rapidly as possible (also in order to avoid reactions from the competition, which might try to copy Pringles); or for a different positioning?

c) **Distribution:** to traditional/mass channels and chain supermarkets, already covered by P&G and designed for purchases by mothers with children; or choose other distribution channels?

d) **Retail price (suggested):** this problem had emerged during the design phase of the commercial plan. Test results for the 200-gram tube had indicated 3,000 lire as the upper price threshold, suggesting a price of 2,990 lire per package. However, starting from the GBU-dictated list price of 2,200 lire and calculating the markup normally added on by the various intermediaries, there was some concern that at 2,990 lire, final margins for the product would be too small. This consideration became even more evident with regard to the smaller 50-gram package destined for the Ho.Re.Ca. channel. In order to favor acceptance of a new product and to obtain adequate shelf space, it was important for the product to appeal to the trade. The retail prices that would satisfy the profitability requirements of these channels would therefore have to be at least 3,190 lire for the large package and 2,000 - 2,500 lire for the smaller one. Wasn't it too much for a snack?

e) **Flavors:** aside from the two flavors already chosen—Original and Sour Cream & Onion—was it better to offer a familiar flavor like Paprika, or launch something more unusual, like Barbecue? Barbecue highlighted the product's innovative character and emphasized its American origins, but tests indicated that it wasn't going to be able to generate the same volumes as Paprika, especially during the initial phase. The test left room for both solutions (see **Exhibits 24b** and **24c**).

f) **Communication:** the choice here had to do with both media and content. With regard to the former, national television could be used, supported by the print press and radio, conducting a typical high-profile P&G campaign. But was this “standard” approach valid also for a food product? Choices needed to be made in terms of content, too: was it better to use the series of themes that had already been applied and tested in other countries, or to create brand new ads, implying further costs? The original ads showed street scenes, with young people expressing their vitality and joy as they ate Pringles and used the packaging—the famous tubes—as musical instruments. The slogan for “Pringlesmania” said it all: *once you Pop, you can’t stop!* Product launch costs were going to be heavily affected by the choices made in this area.

g) **Investments:** the investments budget for the first year had originally been estimated based on the hypothesis of a “classic” P&G product launch: strong television advertising, the use of pre-existing ads, the traditional primary-purchaser target (mothers with children), and distribution principally in the mass channels. If these conditions were modified, both investments and anticipated returns were going to need to undergo review. Based on the market test, sales were forecast sales to be about 70 billion lire during the launch year. However, this was based on the hypothesis of the same kind of launch as the other Western European countries, and, most importantly, a retail price of 2,990 lire. If the target market were modified, means of communication other than classic advertising used, new ads filmed, product samples given out, and the retail price raised to 3,190 lire, then current estimates of returns on investment would be meaningless. The altered costs revolved in particular around communication aspects. The cost for each G.R.P. (Gross Rating Point¹) had been estimated as follows:

- 4,200 lire for the young adult target (15 to 24 years);
- 3,600 lire for the mother-with-children target (4 to 14 years);
- 6,400 lire for the adult target (15 to 44 years).

The cost for preparing new television ads, whose quality needed to be appropriate for the product and the brand, was estimated at around 600 to 800 million lire. Yet if P&G wanted to reach the new targets, the existing ads were not the most appropriate, as they’d been originally conceptualized for the mother-with-small-children target. Investments in alternative activities (events, presence at shows, sponsorships, and so forth) could ring up another four billion lire. In addition, there would be the cost of the free samples, with a million packages costing around 1.200 billion lire.

Reviewing the data, Emanuele Carando thought, “The Italian market is both more problematic than the others and, at the same time, more promising. A traditional launch might be able to generate a good level of sales and profitability, but it could be a flop, too. Italy is such a peculiar country.”

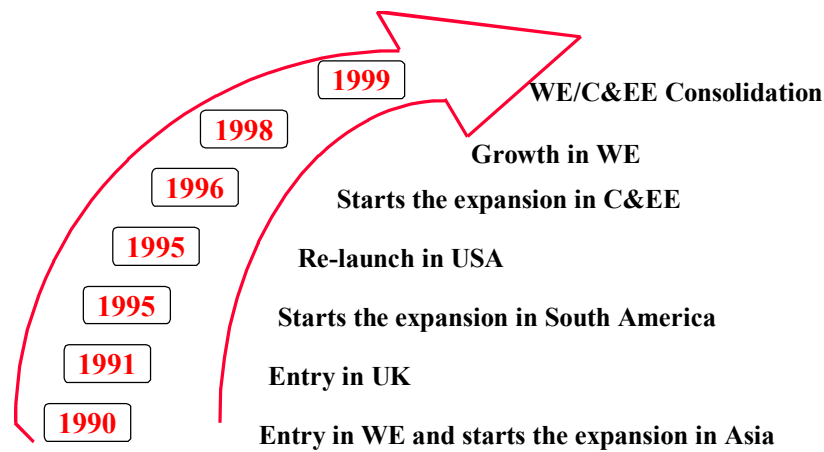
Carando had pondered the issue for a long time. Plenty of incidents, even just recently, had demonstrated just how different the Italian market was. It had been the stage for unique phenomena; Coca Cola, Swatch, Levi’s, and Nike, for example, had achieved “cult” status in Italy. All of these products had represented something special for Italy, more so than in other parts of the world. But there were products very successful in Italy only: Nutella [a chocolate spread], the Algida *Cornetto* [a packaged ice cream cone], and the Vespa [a scooter].

¹ This is one of the efficacy indicators for an advertising campaign. It is calculated by multiplying the number of spectators that have seen an ad by the number of times they’ve seen it, i.e., the numerical coverage of the target market multiplied by the frequency of exposure. Coverage is usually expressed as the percentage of the desired target market to be covered. Assume, for example, a target market of five million individuals. If 60% of this group has seen the ad three times, the GRP is equal to 60% of 5 million x 3, or 9,000,000. If three billion lire is paid for the TV ad campaign, then the cost for each G.R.P. is 333 lire.

On the other side, Italy has been a failure for U.S. leading products, like Kellogg's cereals, Pepsi-Cola sodas, Nescafé instant coffee. Yet, those brands were very successful in other European countries. Local traditions, eating habits, kids and mothers' relations—was the Italian market ready to accept the American Pringles approach?

As he left the latest team meeting, the Brand Manager felt perplexed. The new company culture encouraged greater autonomy, and even Fabrizio—as President Freda's colleagues informally called him—had constantly emphasized the importance of making innovative decisions, and taking responsibility for the associated risks. The launch of Pringles seemed to be just such an occasion. At the same time, though, he knew that the GBU's data indicated the success obtained from common strategies (see **Exhibit 2**).

Almost without thinking, Emanuele Carando picked up a tube of Pringles—barbecue flavor left over from the tests—and began munching on the chips as he looked out of his office window. "It's really true, they *do* put you in a good mood," he thought to himself. "So," he said aloud, looking into the eyes of the little man with the moustache pictured on the tube, "what I'm supposed to do with you?"

Exhibit 1 Pringles around the World**Exhibit 2** Pringles' Market Share in Europe, 1999

Launch Date	Country	Market Size in Million Standard Units (S.U. = 33,300 packs)	Value Share %
1990	Sweden	3,500	11
1991	United Kingdom	40,400	14
1992	Ireland	3,800	19
1994	France	9,300	6
1996	Austria	2,000	43
1997 June	Germany	15,200	23
1998 April	Portugal	1,900	26
May	Greece	1,800	38
August	Norway	2,800	18

Source: P&G Marketing.

Exhibit 3 Chips/Popcorn: Average Yearly Consumption in Europe, 1998 (kg/capita)

Country	Chips	Popcorn & Others
United Kingdom	3.20	2.7
Netherlands	2.40	1.1
Belgium	1.50	0.6
Germany	1.00	1.4
France	0.70	0.7
Spain	1.50	0.6
Italy	0.85	0.6

Source: Food 2/99, Datamonitor.

Exhibit 4 Salty Snacks: Per-capita Consumption in Italy, 1993 to 1997 (kg/capita)

Category	1994	1995	1996	1997	1998
Potato chips	0.76	0.76	0.75	0.78	0.85
Popcorn	0.61	0.63	0.61	0.62	0.64
Salty biscuits & crackers	0.23	0.23	0.23	0.24	0.23
Salted nuts	0.22	0.22	0.23	0.23	0.24
Total	1.81	1.83	1.81	1.88	1.96

Source: Databank 1999.

Exhibit 5 Salty Snacks: Annual Italian Consumption in Volume and Value, 1994 to 1998

	1994	1995	1996	1997	1998	Price change % 1998/1997 (£/Kg)	Average Price Change—% Yearly Rate 1998/1994 (£/Kg)
'000 q.li							
Potato chips	435.0	436.0	432.0	451.5	490.0	8.5	3.0
Popcorn	348.0	359.0	352.0	359.5	367.0	2.1	1.3
Salty biscuits; crackers	129.0	129.0	131.0	140.0	134.0	- 4.3	1.0
Salted nuts	124.0	128.0	130.0	131.0	136.0	3.8	2.3
Total	1,036.0	1,052.0	1,045.0	1,082.0	1,127.0	4.2	2.1
Billion Lit.							
Potato chips	250.0	255.0	260.0	278.0	302.0	8.6	4.8
Popcorn	260.0	271.0	275.0	283.0	296.0	4.6	3.3
Salty biscuits; crackers	76.0	76.0	79.0	85.5	82.0	4.1	1.9
Salted nuts	94.0	98.0	102.0	107.0	111.0	3.7	4.2
Total	680.0	700.0	716.0	753.5	791.0	5.0	3.9

Source: Databank 1999.

Exhibit 6 Salty Snacks: Market Size and Shares^a in Value, 1997 and 1998

Company	1997		1998	
	Billion Lit	%	Billion. Lit	%
San Carlo ^b	190.0	25.2	207.0	26.2
Saiwa	89.1	11.8	89.9	11.4
Ica ^b	78.0	10.4	84.0	10.6
Ferrero ^b	50.0	6.6	52.0	6.6
Pai ^b	46.4	6.2	48.0	6.1
Cameo ^b	41.0	5.4	43.0	5.4
Amica	28.8	3.8	37.6	4.8
Pata	19.3	2.6	24.3	3.1
Cida	10.2	1.4	11.5	1.5
Bahlsen	9.0	1.2	8.4	1.1
Pandal	5.7	0.8	8.4	1.0
D & C	7.0	0.9	7.6	1.0
Fox Italia	5.0	0.7	6.0	0.8
Noberasco	5.3	0.7	6.0	0.8
Bag Snacks	4.0	0.5	4.0	0.5
Delser	4.0	0.5	3.4	0.4
Snacks & Snacks	6.9	0.9	3.4	0.4
Galbusera	2.2	0.3	2.5	0.3
Besana	1.0	0.1	2.0	0.3
Doria	1.7	0.2	1.7	0.2
Barilla	2.7	0.4	1.6	0.2
Food Products ^b	1.3	0.2	1.6	0.2
Del Monte Group	0.8	0.1	0.8	0.1
Chipstar	0.2	n.s.	0.3	n.s.
Private labels	20.0	2.7	22.0	2.8
Others	123.9	16.4	114.1	14.4
Total	735.0	100.0	791.0	100.0

Source: Databank 1999.

^aOwned brands only sales market shares.^bDatabank estimates on official data 1997 and 1998.

Exhibit 7 Salty Snacks, at Retail: Leading Companies' Market Shares^a in Units,^b 1997 and 1998

Company	1997		1998	
	'000 q.	%	'000 q.	%
San Carlo	193.0	24.7	209.9	25.9
Amica	51.4	6.6	65.5	8.1
Saiwa	63.9	8.2	61.4	7.6
Pai	53.0	6.8	55.5	6.8
Ferrero	49.0	6.3	50.5	6.2
Ica	38.8	5.0	43.6	5.4
Cameo	35.5	4.5	36.5	4.5
Pata	23.6	3.0	29.7	3.7
Cida	17.3	2.2	19.8	2.4
Bahlsen	10.5	1.3	9.7	1.2
D & C	8.2	1.0	8.6	1.1
Noberasco	6.0	0.8	6.3	0.8
Bag Snacks	5.4	0.7	5.4	0.7
Delser	5.0	0.6	4.4	0.5
Snacks & Snacks	8.0	1.0	3.8	0.5
Besana	1.5	0.2	3.2	0.4
Barilla	5.0	0.6	2.3	0.3
Galbusera	1.9	0.2	2.3	0.3
Fox Italia	2.0	0.3	2.2	0.3
Food Products	1.4	0.2	1.8	0.2
Doria	1.2	0.2	1.2	0.1
Del Monte Group	0.7	0.1	0.7	0.1
Chipstar	0.3	n.s.	--	--
Pandal	9.5	1.2	--	--
Private label	33.0	4.2	38.0	4.7
Others	155.9	20.0	134.3	16.6
Total	781.0	100.0	811.0	98.2

Source: Databank 1999.

^aOwned brands only sales market shares.^bDatabank estimates on official data 1997 and 1998.

Exhibit 8 Potato Chips at Retail: Leading Companies' Market Shares in Value, 1997 and 1998

Company	1997		1998	
	Billion Lit	%	Billion Lit	%
San Carlo ^a	86.0	45.3	96.0	46.4
Amica	20.0	10.5	25.8	12.5
Pai ^a	24.0	12.6	25.0	12.1
Ica ^a	15.0	7.9	17.0	8.2
Pata	9.1	4.8	11.5	5.6
Saiwa	4.4	2.3	4.0	1.9
Pandal	2.5	1.3	3.6	1.7
Bahlsen	3.6	1.9	3.5	1.7
Chipstar	0.1	0.1	0.2	0.1
Bag Snacks	0.1	0.1	0.1	n.s.
Private label	8.0	4.2	9.0	4.3
Others	17.2	9.1	11.3	5.5
Total	190.0	100.0	207.0	100.0

Source: Databank 1999.

^aDatabank estimates of official data, 1997 and 1998.

Exhibit 9 Potato Chips at Retail: Leading Companies' Market Shares in Units,^a 1997 and 1998

Company	1997		1998	
	Billion Lit	%	Billion Lit	%
San Carlo ^a	129.0	41.6	142.0	42.0
Amica	42.0	13.5	53.0	15.7
Pai ^a	38.0	12.3	40.0	11.8
Ica ^a	22.5	7.3	25.5	7.5
Pata	16.1	5.2	20.0	5.9
Pandal	4.5	1.5	6.4	1.9
Bahlsen	5.3	1.7	5.0	1.5
Saiwa	3.9	1.3	3.4	1.0
Chipstar	0.2	0.1	0.4	0.1
Bag Snacks	0.2	0.1	0.2	0.1
Private label	16.0	5.2	19.0	5.6
Others	32.4	10.5	23.1	6.8
Total	310.0	100	338.0	100.0

Source: Databank 1999.

^aDatabank estimates of official data, 1997 and 1998.

Exhibit 10 Salty Snacks, Catering/Bar: Leading Companies^a in Value, 1997 and 1998

Company	1997		1998	
	Billion Lit	%	Billion Lit	%
San Carlo ^b	54.5	25.6	58.0	25.9
Ica ^b	50.0	23.5	53.0	23.7
Pai	10.4	4.9	11.0	4.9
Cameo ^b	10.0	4.7	10.0	4.5
Ferrero ^b	9.0	4.2	10.0	4.5
Saiwa	10.0	4.7	10.0	4.5
Pata	4.8	2.3	6.0	2.7
Fox Italia	4.0	1.9	4.8	2.1
Amica	2.0	0.9	2.6	1.2
Cida	1.4	0.7	1.5	0.7
Doria	1.1	0.5	1.1	0.5
Galbusera	1.0	0.5	1.0	0.4
Bahlsen	1.1	0.5	0.8	0.4
Delser	1.0	0.5	0.8	0.4
Snacks & Snacks	1.4	0.7	0.8	0.4
Bensana	0.3	0.1	0.4	0.2
Noberasco	0.3	0.1	0.4	0.2
Barilla	0.2	0.1	0.2	0.1
Others	50.5	23.7	51.6	23.0
Total	213.0	100	224.0	100.0

Source: Databank 1999.

^aOwned brands only sales market shares.^bDatabank estimates of official data, 1997 and 1998.

Exhibit 11 Competitors

San Carlo:

- ⇒ San Carlo Alimentari S.p.A. owned by Unichips Finanziaria
- ⇒ Since 1993, owns 100% of PAI
- ⇒ Direct delivery to point of sales
- ⇒ Owns 160 warehouses; has 1300 direct salespeople/agents selling directly to stores
- ⇒ Potato chips brands: S. Carlo, Highlander, Patatine Lights, Vitachips, Independence Day

Pai:

- ⇒ Owned by Unichips Finanziaria, but fully independent from San Carlo management
- ⇒ 80 brokers provide sales force
- ⇒ Direct delivery to point of sales
- ⇒ Potato chips brands: Pai Chips, Pai Grigliate, Gram Pai, Pai Oro, Light Virtual, Autentiche Fattorie

ICA:

- ⇒ Owned by United Biscuit
- ⇒ Direct delivery to point of sales
- ⇒ Stronger market share in central Italy and in bars and coffee shops
- ⇒ Potato chips brands: Crick Crock, Le Contadine, Bella Italia, Stick Crock

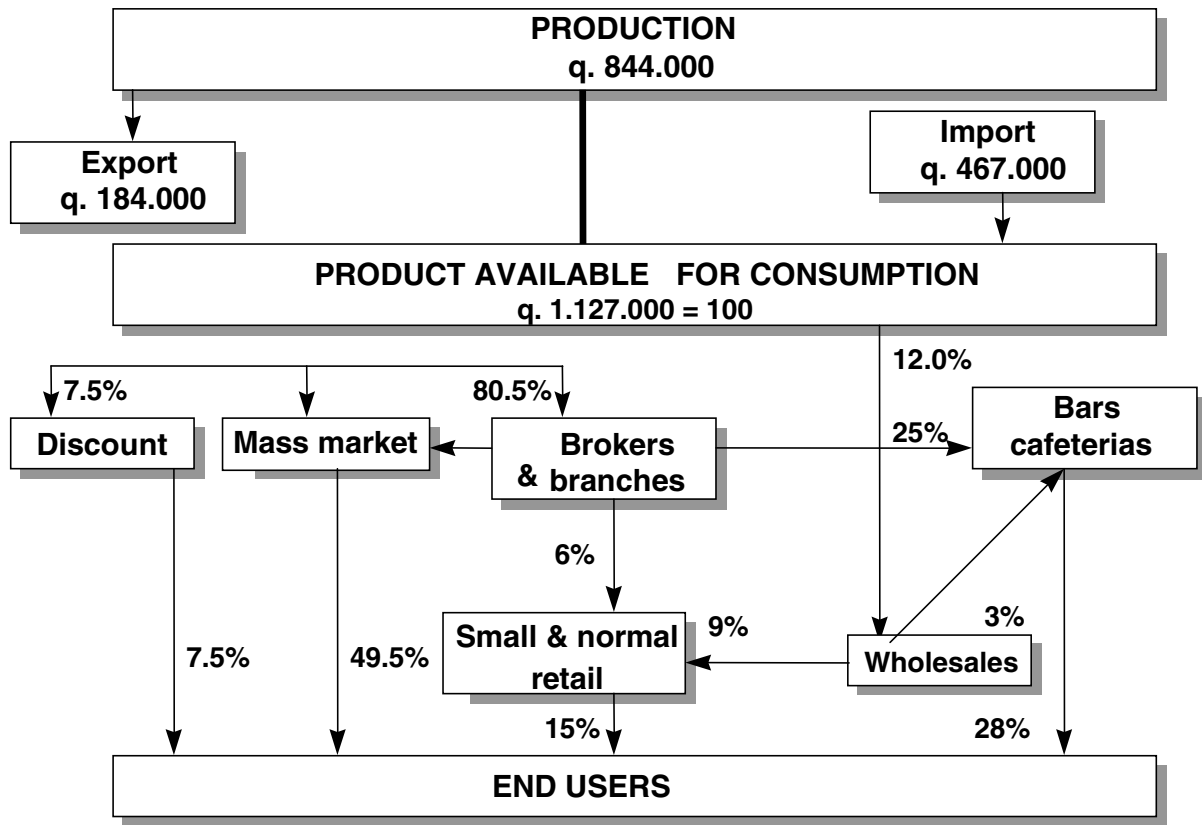
Bahlsen Italia Srl:

- ⇒ Owned by Bahlsen Deutchland; imports and sells salty biscuits and potato chips
- ⇒ Italian agents act as sales force
- ⇒ Single potato chip brand: Chipsletten (in tube)

Amica:

- ⇒ Private ownership
- ⇒ In 1997 bought DORITA
- ⇒ 15 brokers acts as sales force
- ⇒ Stronger market share in northern Italy and in mass market
- ⇒ Potato chips brands: Amica Chips, Bella Chips

Exhibit 12 Salty Snacks: Channels and Product Flow, 1999



Source: Databank 1999.

q. = quintali (= 100 kg.)

Exhibit 13 Salty Snacks: Channels/Segments Shares, 1997 and 1998

	Retail		Catering/Bar/Coffeeshops	
	1997	1998	1997	1998
% in volume:				
Potato chips	68.7	69.0	31.3	31.0
Popcorn	72.6	72.8	27.4	27.2
Salty biscuits & crackers	82.1	80.6	17.9	19.4
Salted nuts	72.5	72.1	27.5	27.9
Total	72.2	72.2	27.8	28.0
% in value:				
Potato chips	68.3	68.5	31.7	31.5
Popcorn	72.4	72.6	27.6	27.4
Salty biscuits & crackers	81.3	79.3	18.7	20.7
Salted nuts	71.0	72.1	29.0	27.9
Total	71.7	71.7	28.3	28.3

Source: Databank 1999.

Exhibit 14 Salty Snacks: Leading Companies' Share of Voice,^a 1995 to 1998

	1995		1996		1997		1998	
	Billion Lit	%	Billion Lit	%	Billion Lit	%	Billion Lit	%
San Carlo	1.1	6.4	7.9	53.0	6.5	38.0	7.3	36.1
UB Snack Foods	10.3	59.9	-	-	5.0	29.2	3.3	16.3
Saiwa	5.8	33.7	7.0	47.0	4.4	25.7	2.9	14.4
Amica	--	--	--	--	0.7	4.1	0.8	4.0
Pai	--	--	--	--	0.5	2.9	--	--
Bahlsen	--	--	--	--	--	--	1.5	7.4
Ica	--	--	--	--	--	--	4.2	20.8
Others	--	--	--	--	--	--	0.2	1.0
Total	17.2	100.0	14.9	100.0	17.1	100.0	20.2	100.0

Source: NASA-Nielsen 1999.

^aMedia cost only.

Exhibit 15 United States: Consumer Behavior by Age

Ages	Population		Chips Users		Consumption			Consump Index	Decision Influence	"Decided" Volume per Year
	#	%	#	%	#	%	Quantity P/Y (a)	Index	(b)	(a) x (b)
5-12	28.60	12	23.17	14	135.0	12	1.54	99	22	0.34
5-9	18.30	8	15.19	9	72.0	7	1.31	83	20	0.26
10-12	10.30	4	8.24	5	58.4	5	1.78	119	21	0.37
13-17	16.60	7	13.45	8	154.4	14	2.82	196	39	1.10
18-24	26.20	11	20.70	12	195.0	18	2.54	157	58	1.48
25-34	43.50	19	34.80	20	268.7	25	2.45	130	76	1.86
35-44	37.60	16	30.46	18	155.8	14	1.42	87	81	1.15
45-54	25.50	11	17.34	10	84.7	8	0.77	70	79	0.61
55-64	21.10	9	12.66	7	53.5	5	0.49	53	73	0.36
65+	31.30	14	17.22	10	47.9	4	nd	32	78	
Total	230.40	100	169.78	100	1,095.0	100	20.20	100		

Source: P&G marketing.

Exhibit 16 United Kingdom: Consumer Behavior by Age

Ages	Population		Chips Consumers		Consumption			Consump Index	Decision Influence	"Decided" Volume per Year
	#	%	#	%	#	%	Quantity P/Y (a)	Index	(b)	(a) x (b)
5-12	6.2	11	6.076	13	133.20	19	2.35	166	28	0.66
5-9	3.7	7	3.589	8	72.49	10	2.05	152	22	0.45
10-12	2.5	5	2.475	5	58.94	8	2.78	182	34	0.94
13-17	3.7	7	3.589	8	92.90	13	2.62	194	38	1.00
18-24	5.2	9	5.2	11	126.00	18	2.54	188	56	1.42
25-34	9.4	17	8.648	19	164.90	23	2.33	136	79	1.84
35-44	7.9	14	6.715	15	93.90	13	1.33	92	72	0.95
45-54	7.4	14	5.92	13	57.90	8	0.82	61	79	0.65
55-64	5.8	11	3.654	8	19.50	3	0.28	26	81	0.22
65+	9.2	17	5.796	13	19.70	3	nd	17	79	
Total	54.8	100	45.6	100	708.00	100	12.30	100		

Source: P&G marketing.

Exhibit 17 Germany: Consumer Behavior by Age

Ages	Population		Chips Consumers		Consumption			Consump Index	Decision Influence	"Decided" Volume per Year
	#	%	#	%	#	%	Quantity P/Y (a)	Index	(b)	(a) x (b)
5-12	7.4	10	4.4	14	10.13	6	0.69	58	16	0.11
5-9	4.3	6	2.322	7	4.44	2	0.48	43	10	0.05
10-12	3.1	4	2.139	7	6.35	3	1.15	86	25	0.29
13-17	4.5	6	3.285	10	27.00	15	2.94	252	41	1.20
18-24	6.4	8	3.968	13	27.50	15	2.14	181	67	1.43
25-34	14.1	18	8.319	26	51.30	28	2.79	153	80	2.23
35-44	11.9	15	6.069	19	33.90	18	1.84	120	78	1.44
45-54	10.3	13	2.678	8	17.10	9	0.93	70	80	0.74
55-64	10.1	13	2.828	9	17.00	9	0.92	71	81	0.75
65+	12.6	16	0	0	0	0	0	0		
Total	77.3	100	31.6	100	183.90	100				

Source: P&G marketing.

Exhibit 18 Spain: Consumer Behavior by Age

Ages	Population		Chips Consumers		Consumption			Consump Index	Decision Influence	"Decided" Volume per Year
	#	%	#	%	#	%	Quantity P/Y (a)	Index	(b)	(a) x (b)
5-12	3.4	10	2.822	12	20.47	14	1.81	156	22	0.40
5-9	2.5	7	2.075	9	14.82	10	2.09	154	19	0.40
10-12	0.9	2	0.738	3	5.41	4	1.27	156	26	0.33
13-17	2.7	7	2.025	9	19.63	14	2.77	189	58	1.61
18-24	4.5	12	3.555	16	27.75	20	2.80	160	61	1.70
25-34	6.3	17	4.977	22	30.64	22	2.16	126	77	1.66
35-44	5.3	14	3.551	16	17.36	12	1.23	85	69	0.85
45-54	4.5	12	2.745	12	13.01	9	0.92	75	66	0.60
55-64	4.1	11	3.075	14	12.84	9	0.91	81	67	0.61
65+	6.0	16	0	0	0	0	nd	0	0	
Total	36.8	100	22.8	100	141.7	100		100		

Source: P&G marketing.

Exhibit 19 Italy: Consumer Behavior by Age

Ages	Population		Chips Consumers		Consumption			Consump Index	Decision Influence	"Decided" Volume per Year
	#	%	#	%	#	%	Quantity P/Y (a)	Index	(b)	(a) x (b)
5-12	4.5	8	3.285	13	17.95	16	1.97	188	26	0.51
5-9	3.0	6	2.34	9	13.74	12	1.51	216	22	0.33
10-12	1.5	3	0.96	4	4.73	4	0.52	149	31	0.33
13-17	3.1	6	1.953	8	11.52	10	2.02	175	52	1.05
18-24	5.7	11	3.762	15	23.94	21	3.00	198	46	1.40
25-34	9.2	17	6.256	25	2.80	25	2.53	148	61	1.54
35-44	7.7	14	4.543	18	17.88	16	1.57	110	60	0.94
45-54	7.3	14	3.212	13	8.57	8	0.75	55	55	0.42
55-64	6.9	13	2.346	9	5.26	5	0.46	36	62	0.28
65+	9.4	17	0	0	0	0	nd	0	0	
Total	53.8	100	25.4	100	113.9	100		100		

Source: P&G marketing.

Exhibit 20 Italy: Out-of-Home Snacking Habits by Age

	Age											
	15-19 (%)		20-29 (%)		30-39 (%)		40-59 (%)		> 60 (%)		Total Population (%)	
	96.0	97.0	96.0	97.0	96.0	97.0	96.0	97.0	96.0	97.0	96.0	97.0
Morning	73.1	64.3	37.3	46.6	34.8	34.8	32.8	40.1	32.6	35.6	37.5	43.4
Afternoon	63.0	68.9	47.1	45.2	35.6	32.9	28.2	30.7	27.4	26.3	36.2	36.5
Evening	39.1	37.0	29.5	30.5	22.5	21.5	16.1	19.7	12.1	15.8	21.1	23.1
Total out of home	88.9	85.3	66.4	68.4	57.9	60.9	47.9	55.8	47.7	50.3	56.5	60.8

Source: P&G marketing.

Exhibit 21 Snack Choice (at-least-once-a-day-consumers)

Food	1994 %	1996 %	1997 %	97 vs 96 (% change)
Fruits	22.8	26.2	24.4	-1.8
Cookies	15.1	19.5	15.0	-4.5
Yogurt	11.7	17.3	11.7	-5.6
Sandwiches	16.4	14.0	16.1	+2.1
Sweet snack/Brioche	10.8	13.7	20.5	+6.8
Crackers/Breadsticks	8.9	13.0	14.7	+1.7
Cakes	11.6	11.2	10.9	-0.3
Focaccia/Pizza	11.6	10.5	14.4	+3.9
Chocolate/Chocolate snacks	6.2	9.8	10.4	+0.6
Bread/Toasts	7.9	6.4	8.8	+2.4
Ice cream	5.7	4.8	5.8	+1.0
Salty snack	4.9	4.5	7.8	+3.3
Cheese	3.5	3.4	3.1	-0.3
Cold cuts	4.8	2.8	4.9	+2.5
Other food	15.3	5.9	8.4	+2.5

Source: P&G marketing.

Exhibit 22 Snack Eaters Segments (at-least-once-a-day-consumers)

	1994 (%)	1996 (%)	1997 (%)
Health-freaks	32.0	29.9	28.4
Hedonists	32.1	34.1	32.2
Followers	35.9	36.0	39.4

Source: P&G marketing.

Exhibit 23 Snack Choice by Segment, 1997 (at-least-once-a-day-consumers)

Food	Health Freaks (%)	Hedonists (%)	Followers (%)
Other food	8.4	9.4	7.7
Cookies	16.2	15.6	13.6
Chocolate/Chocolate snacks	9.7	15.8	6.4
Crackers/ Breadsticks	16.2	15.0	13.2
Focaccia/Pizza	11.8	21.1	10.7
Cheese	3.0	2.7	3.5
Fruits	29.2	15.4	28.3
Ice cream	7.0	7.8	3.4
Refrigerated sweet snacks	2.6	5.5	2.7
Sweet snack/Brioche	19.0	28.9	14.7
Bread/Toasts	7.4	7.4	10.9
Sandwiches	10.4	24.2	13.6
Salty snack	7.9	12.3	4.2
Cold cuts	3.0	6.4	5.0
Cakes	11.8	10.9	10.2
Yogurt	19.7	8.6	8.5

Source: P&G marketing.

Exhibit 24a Market Test—Results Top Line

	Italy	Spain	Germany
Before Trial:			
Purchase intention	Top 20%	Top 40%	Bottom 40%
Value rating	Average	Bottom 20%	Bottom 40%
Likeability	Top 40%	Top 40%	Bottom 40%
After Trial:			
Purchase intention	Top 20%	Bottom 40%	Top 20%
Value rating	Average	Bottom 20%	Average
Likeability	Top 20%	Average	Top 20%
Projections Volume (millions tubes):			
Year 1	35	19	39
Year 2	39	17	53
Year 3	36	115	59

Exhibit 24b Market Test—Flavors Comparison

	Bottom 20	Bottom 40	Average 50	Top 40	Top 20
Purchase intention					B P
Likeability				P	B
Value for money			P	B	
Uniqueness		P	B		

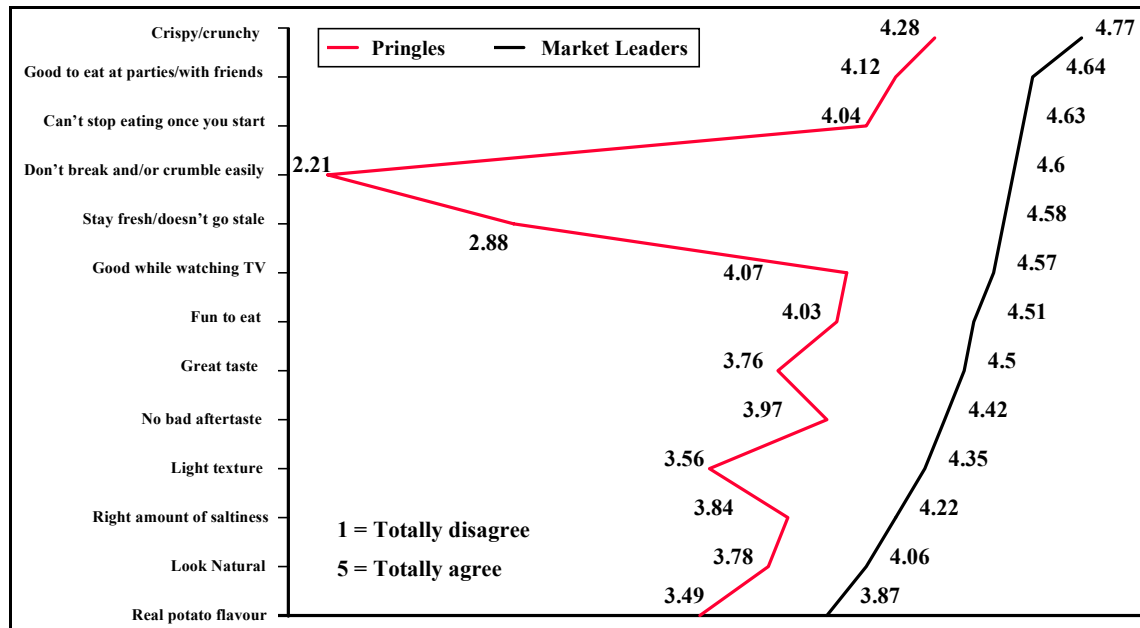
B: Original, SC&O, Barbeque; **P:** Original, SC&O, Paprika

Exhibit 24c Market Test—Flavors Comparison after Trial

	Bottom 20	Bottom 40	Average	Top 40	Top 20
Purchase intention				B	P
Likeability					B P
Value for money			B P		
Uniqueness					B P
Satisfaction vs. Expectation					
⇒ Better than expected					BP
⇒ Not as good				B	

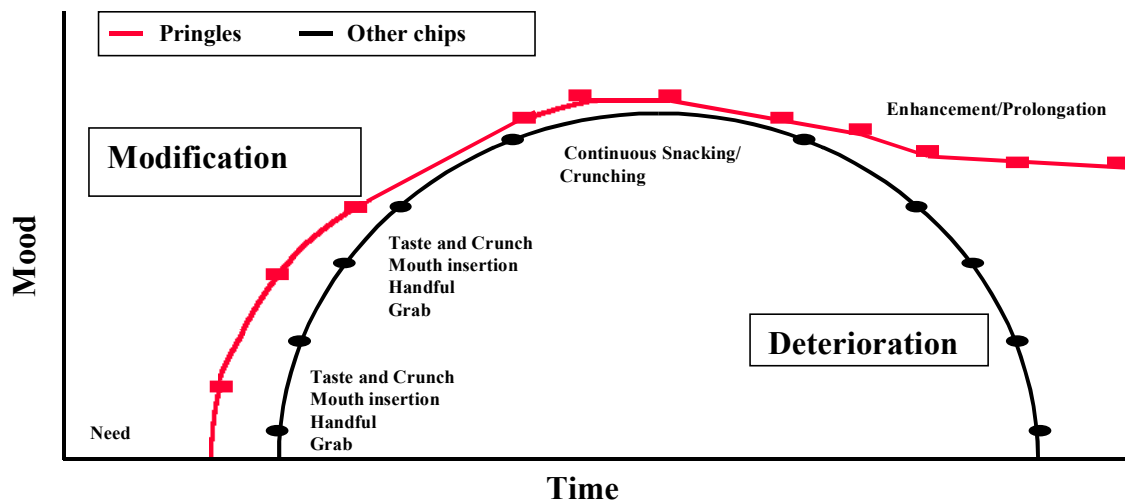
B: Original, SC&O, Barbeque; **P:** Original, SC&O, Paprika

Exhibit 25 Pringles IMAGE vs. Competitors



Source: P&G marketing.

Exhibit 26 Satisfaction while Munching



Source: P&G marketing.