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International Master in Business Administration

**NEW PRODUCT DEVELOPMENT: How to Introduce a New
Product in Highly Competitive Markets**

“SONASOL MADEIRAS CASE STUDY”

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Abstract

Dissertation Title: New Product Development: How to introduce a new product in highly competitive markets.

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Like several other companies in the majority of fast moving consumer goods markets, Henkel is facing stronger competition in the household products industry. Nowadays, competition is becoming so intense that companies have to pursue new forms of growth. This dissertation aims to demonstrate why companies operating in highly competitive markets should invest in innovation to improve their market position and continue growing. The main objective of this dissertation is to demonstrate how companies should develop and introduce innovative products in those markets. Sonasol is Henkel's brand for the Portuguese home care market. It is a 62 year old brand that is well-known for its quality, traditional and reliable products. In 2008, Henkel decided to give Sonasol a new innovative image by creating a premium range of products. The new products' success made Henkel extend the new range to several segments of the home care market, such as wood-based floors. Although the wood segment was a small part of the market, they saw growth opportunities. In 2012, Henkel launched Sonasol Madeiras, a general surface cleaner specially developed for wood-based floors. Sonasol Madeiras revolutionized the wood segment, providing a superior cleaning performance and a faster drying than the competition. Its innovative features allowed Sonasol Madeiras to exceed all the objectives for the first year, such as sales volume, market share and weighted distribution. This work studies the development and launch processes of Sonasol Madeiras, reviewing the key stages that made it a successful product.

Resumo

Título da Dissertação: New Product Development: How to introduce a new product in highly competitive markets.

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Tal como muitas outras empresas na maioria dos mercados de produtos de grande consumo, a Henkel tem sido confrontada com uma concorrência mais forte no mercado de produtos para o lar. Actualmente, a concorrência tem-se tornado tão intensa que as empresas têm que procurar novas formas de crescimento. Esta dissertação pretende demonstrar a razão pela qual empresas inseridas em mercados altamente concorrenciais devem investir em inovação de modo a continuarem a crescer e melhorar as suas posições no mercado. O principal objectivo desta dissertação é demonstrar de que modo estas empresas devem desenvolver e introduzir produtos inovadores nesse tipo de mercados. Sonasol é a marca portuguesa da Henkel para o mercado de produtos de cuidado do lar. Com 62 anos é uma marca muito conhecida pela qualidade, tradição e confiança dos seus produtos. Em 2008, a Henkel decidiu criar uma nova gama de produtos *premium* de maneira a dar uma imagem inovadora à marca Sonasol. O sucesso dos novos produtos fez com que a Henkel estendesse a nova gama de produtos a outros segmentos do mercado de cuidado do lar, como o segmento de pavimentos de madeira. Embora o segmento dos pavimentos de madeira fosse uma pequena parte do mercado, a Henkel viu aí oportunidades de crescimento. Em 2012, a Henkel lançou o Sonasol Madeiras, um detergente de limpeza de pavimentos especialmente desenvolvido para superfícies de madeira. O Sonasol Madeiras revolucionou o segmento de limpeza de pavimentos de madeira, oferecendo uma qualidade de limpeza superior e uma secagem mais rápida que os concorrentes. As suas características inovadoras permitiram que o Sonasol Madeiras excedesse todos os objectivos de mercado estabelecidos para o primeiro ano, tais como volume de vendas, quota de mercado e o peso/proporção na distribuição. Este trabalho estuda os processos de desenvolvimento e lançamento do Sonasol Madeiras, revendo as suas principais fases que fizeram com que o produto fosse um sucesso.

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1. Introduction

Henkel, which was founded in 1876, is a major player in the household products industry worldwide. Sonasol, Henkel's brand for home care segment, is a 62 year old general surface cleaner brand known for its quality and tradition. In 2008, Henkel changed their vision and decided to introduce the new and highly innovative Sonasol premium range. The new range's initial success made Henkel extend to other segments. So, in 2012 they launched Sonasol Madeiras, a general surface cleaner designed for wood-based floors.

This dissertation reviews Sonasol Madeiras' development process and launch, focusing on the most important stages of those processes in order to understand how and why companies should introduce highly innovative products in a very competitive market.

1.1 Relevance of Research

Today's world is in constant change. Recent economic recessions and continuous technological innovations have changed fast moving consumer goods (FMCG) industries, increasing companies' challenge to survive and succeed due to more demanding consumers and fiercer competition.

This Master's dissertation aims to demonstrate that companies operating in highly competitive markets, such as household products, should continuously seek new opportunities to grow, mainly focusing their strategies on differentiation and investment in order to launch innovative products. Also, this dissertation analyzes key success factors for new products in relation to new product development (NPD) processes and marketing strategies.

1.2 Problem Statement

Like several FMCG industries, companies in the household products industry are facing stronger and greater competition for market shares. Competition is becoming so intense that companies are seeking new forms of growth. Most of them see innovation as the best way to grow and expand market share, so they are increasing investment in this area.

Henkel boasts certain brands fighting to be market leaders and they have defined innovation and differentiation as their strategy to reach that objective. During recent years, Sonasol has extended its new premium range and last year launched the new Sonasol Madeiras for wood-based floors.

The company defined a common marketing mix strategy for every product in the new range, but what worked for one product may not work for another.

1.3 Research Questions

In order to highlight the key factors of the Sonasol Madeiras case study, four key research questions were raised:

1. How can an innovative product like Sonasol Madeiras bring value to Henkel?
2. How important is a well-developed NPD process for the product's success?
3. How did Henkel promote and communicate Sonasol Madeiras?
4. What has influenced Sonasol Madeiras' success?

1.4 Methodology

In order to develop this case study, answer the research questions and analyze the problem, different sources of data have been used. Primary data regarding Portuguese household products market, such as Nielsen's market research and Henkel's consumer research, were provided by Henkel laundry and home care marketing department. Qualitative research about Sonasol brand management and Sonasol Madeiras development and launch was done through individual interviews with Sonasol's brand manager, Henkel's marketers and key account managers.

Additionally, secondary data was collected via an online questionnaire, regarding consumers' preferences, associations and satisfaction level with the brand Sonasol and the product Sonasol Madeiras.

2. Literature Review

This chapter aims to present important theoretical subjects related to the theme of this dissertation. The analysis of this literature review will allow a better understanding of the following case study.

These specific subjects have been reviewed from both marketing books and articles from different prestigious journals. These articles were found using key research words, such as *new product development*, *product line extensions*, *innovation* and *new product's success*.

2.1 Product Line Extensions

Usually brand extensions and product line extensions are perceived as the same but they are two different strategic moves. Brand extensions involve the use of a brand name established in one product category to launch a new product in another product category, like Honda does by using its name in its cars, motorcycles and lawnmowers. Line extensions use the established brand name for a new offering in the same product category, such as Coca-Cola launching Diet Coke (Mitchell, Edelman and Giles, 2012).

Most new-product activities are product line extensions. Companies introduce line extensions to take advantage of market opportunities, to meet consumer's desire for variety, to respond to a consumer need or to meet excess capacity (Kotler, Wong, Saunders, and Armstrong, 2005). Product line extensions and brand extensions are common expansion strategies for many companies seeking growth.

In addition to all the financial benefits of brand expansion and extra sales, product line extensions provide other advantages, such as reduced promotion expenditure per product, increased likelihood of gaining retail distribution, reduced consumer risk and the enhancement of parent brand equity (Singh, Scriven, Clemente, Lomax, Wright, 2012).

Nevertheless, product line extensions are risky. Added to the fact that the line extension might be a failure, an overextended brand might lose its specific meaning and can cause consumer frustration and confusion (Kotler, Wong, Saunders, and Armstrong, 2005). Furthermore, sales of a new extension might cannibalize other products' sales.

In order to reduce the risk of failure there are four dimensions that product line extensions should respect: maintaining brand standards and style, respecting brand heritage, preserving brand essence and avoiding brand exploitation (Spiggle, Nguyen, Caravella, 2012). Perceptions

of similarity, especially when it benefits the brand, allows the transfer of consumers' affect from the parent line to the extension. Particularly for highly regarded brands, consumers likely transfer their positive associations when the original line and the extension boast similar connotations.

2.2 New Product Development and Innovation

In today's world, companies have to fight more than ever to remain competitive. They face faster changes in customers' tastes, needs and demands, constant technology evolution and more aggressive competition. Because of this, companies have to sustain growth and maintain profitability over the longer term through successfully developing and launching new products and services (Kotler, Wong, Saunders, and Armstrong, 2005).

The successful development and launch of new products is based on innovation. Innovation is an idea, product, service or technology that has been developed and marketed to customers who perceived it as novel or new. It is a process of identifying, creating and delivering new-product values that did not exist before in the market (Kotler, Wong, Saunders, and Armstrong, 2005). At the heart of innovation is a purposeful, focused effort to identify new ways to serve the market (Dibb, Simkin, Pride and Ferrell, 2001).

Companies can introduce new products onto the market by acquiring a license, a patent or even a company or they can go through a NPD process, which is an act of innovation which entails a process of identifying, creating and delivering new-product values whose benefits were not offered before in the market (Kotler, Wong, Saunders, and Armstrong, 2005).

As mentioned above, companies should invest in NPD to sustain growth and even increase profitability. As an example, in 2003 more than half of Gillette's \$9.25 billion in revenues were generated by products introduced in the previous five years, with the last of them, the Mach 3 razor accounting for more than \$1.5 billion of that revenue (Gillette Annual Report, 2003).

2.3 New Product Development Process

2.3.1 New Product Strategy

Just a very small number of innovative ideas go through the NPD process and even fewer of them succeed as a product. So, companies must develop a well-defined new product strategy to support the new product's idea.

The new product strategy should be based on four main goals: first it gives direction to the new product team and focuses team effort; second, it helps to integrate functional or department efforts; third, it allows tasks to be delegated to team members; and fourth, the act of producing and getting managers to agree on a strategy requires proactive management, which increases the likelihood of a more detailed search for innovation opportunities (Kotler, Wong, Saunders and Armstrong, 2005).

2.3.2 Idea Generation

Idea generation is the process by which companies and other organizations seek product ideas that will help them to achieve their objectives (Dibb, Simkin, Pride and Ferrell, 2001). The purpose of idea generation is to create a large number of ideas because just a few will be good enough to be developed.

Unexpected occurrences, incongruities, new needs, industry, market and demographic changes may all indicate new opportunities to generate ideas (Drucker, 1985). External sources, such as customers' needs, demands and behaviors, competitors' new products, distributors and suppliers' new technologies and advertising agencies are usually used as well.

2.3.3 Marketing Strategy Development

When the product concept is developed, tested and selected, companies have to work on the product's marketing strategy. This strategy should be divided into three parts. The first should outline the product's planned target market, sales, market share, profit, and the product's positioning. The second should define product price, the distribution strategy and marketing budget. The last part should be focused on the future and long-term expected sales, market share, profit goals and marketing mix strategy (Kotler, Wong, Saunders and Armstrong, 2005).

2.3.4 Business Analysis

The main goal of the business analysis is to evaluate business attractiveness by reviewing the sales, costs and profits projections for the new product, in order to understand whether it satisfies the company's objectives (Kotler, Wong, Saunders and Armstrong, 2005).

At this stage of the NPD process, companies also look for market information. To obtain that information they should answer certain questions, in order to better understand if the development of the new product should continue or not. Questions regarding whether the company has the right expertise to develop the product: does the product fit with the existing

product mix? Is demand strong enough? What competitive changes would be expected after the new product's introduction? (Dibb, Simkin, Pride and Ferrell, 2001).

2.3.5 Test Marketing

The marketing test stage is based on launching a sample of the product supported by the defined marketing mix strategy. It allows companies to test the product and its marketing mix strategy under realistic market conditions. Usually companies test products in a certain geographical area or in a specific type of retail stores before full market introduction.

By testing the product, companies may recognize any inaccuracy or weakness in the product or in its marketing mix strategy, which reduces introduction risks. It is much cheaper to recognize these issues at this stage than after full market introduction. However, it is also risky because competitors may interfere by lowering prices, increasing advertising or promotions or offering special incentives during the test period (Kotler, Wong, Saunders and Armstrong, 2005). So, companies should test the products as fast as possible and move quickly to the commercialization stage.

2.3.6 Commercialization - Introduction in the Market

Commercialization is the last stage of the NPD process. Before commercialization, companies analyze the test marketing results to find out what changes in the marketing mix are needed (Dibb, Simkin, Pride and Ferrell, 2001). Next, they should have the necessary information to decide about the timing of the launch because issues like the economic situation and competitors' promotions should be considered; in terms of the geographical strategy, companies must decide if they want to introduce the product region by region or nationally; which consumer groups should the product be available to first; and how to promote and advertise the product.

The commercialization of a new product is a very expensive process and companies must have sufficient funds for advertising, sales promotion and to gear up production to meet demand (Kotler, Wong, Saunders and Armstrong, 2005).

2.4 Risks in New Product Development

Despite being critical for companies' long-term success, innovation and NPD are risky activities. Companies have to ensure that they do it well otherwise it can be damaging.

NPD is very expensive. Companies spend large amounts of money developing new products. Multinational companies are the best examples. For instance, Gillette spent \$700 million on the development of the Mach 3 razor blade (Gielens and Steenkamp, 2004). Also, it is a long process that should not be accelerated. Industries like pharmaceuticals, biotechnology and aerospace can have NPD cycles of 10 to 15 years and unexpected delays are not uncommon, which can increase the costs of the NPD process even more.

Failure rates prove that these risks are real and that NPD process is not easy. For consumer package goods, the failure rate for new products is reported to be between 70% and 90% (Broening, 2005). Also, some research shows that the failure rate for “first movers” in the market is around 47% (Tellis and Golder, 1996). These failure rates are concerning products that were introduced onto the market, which is only about 35% of all the products that entered the NPD process (Booz, Allen and Hamilton, 1982).

2.5 Why do New Products Fail?

The reasons why new products fail can be separated in three main parts: the product, the consumer and the developer, i.e. the company (John T. Gourville, 2005).

Some authors argue that product-based factors explain 49% to 87% of the variance in new product adoption rates (Rogers, 1995). The main factors are relative advantage, compatibility and complexity. Relative advantage is defined as the level to which the new product is perceived as better in any way than the product it replaces; compatibility is defined as the level to which a new product is seen as consistent with consumers’ existing values, experiences and needs; complexity is defined as the level to which a new product is well perceived by consumers (John T. Gourville, 2005). Relative advantage is viewed as the critical, if not sufficient, condition for new product success (Cooper, 2000).

The main consumer-based reason for new product failure is that consumers systematically undervalue innovations. Most consumers are unwilling to change from their current product to a new one because the majority of them are loss averse, which means they value the potential loss of abdicating from their current product more than the potential gain of acquiring the new product (John T. Gourville, 2005).

Developer-based reasons include every company’s mistakes. The most common developer-based reasons are the overestimation of market size and demand, incorrect positioning, targeting and pricing, and higher than expected NPD costs. Finally, one last reason related to developers is a tougher than expected response from competitors.

2.6 What Influences New Product Success?

The key success factors of new product can be divided in three parts. The first is related to a company's actions before it starts the NPD process. This "homework" (Cooper and Kleinschmidt, 1995) is about the definition and assessment of the target market, consumer requirements and product positioning. Then, the product concept must be defined, including its benefits and features.

The second part is related to the NPD process itself. To develop a successful product, top management must be committed to the process and the company should be innovation-oriented. This commitment should be combined with high quality in all the stages of the NPD process.

The third part is related to product. Companies should develop a unique superior product that is better than existing products, with new features, good value for money and a product that meets customers' needs, wants and values (Kotler, Wong, Saunders and Armstrong, 2005).

3. Case Study – The Sonasol Madeiras Market Introduction

Sonasol is one of the most recognized household products brands in Portugal. It has been on the market for over sixty years and has always been seen as a quality, traditional and trustworthy brand. Since Henkel bought the brand, twenty two years ago, Sonasol has offered high quality general surface cleaners. Since then, the product range has been growing towards other segments of the market, and improving product formulas. However, in 2008, Henkel decided to offer a new range of Sonasol products. This range would be made up of premium and higher quality products, which would offer a greater level of innovation to the traditional surface cleaners market.

In the summer of 2011, Henkel's managers were enjoying the new Sonasol products success. Those products had changed the brand presence in the market and made them want to further the development of the new range and extend it to other segments, including wood surface cleaners. At this time, Angela Marques, Henkel's Marketing and Trade Manager and Tomás Presas, Sonasol's Brand Manager started the new wood surface cleaner development.

3.1 The Company

Henkel is a multinational company based in Dusseldorf, Germany. It is present in more than 75 countries, operating through its subsidiaries, with over 46,600 employees. The company operates in three different business areas: adhesives, sealants and surface treatments; laundry and home care; and beauty care.

It all started in 1876 in Aachen, Germany, when Fritz Henkel and his two partners founded Henkel & Cie. Their idea was to create and sell detergents. Two years later Henkel launched its first sodium silicate based detergent, Bleich-Soda¹ (**Exhibit 1**), which was the first branded and packed detergent sold in Germany.

In 2012 Henkel achieved sales of over €16.5 billion and more than €1.5 billion in net income. Laundry and home care is the second biggest business area, accounting for more than €4.5 billion in sales in 2012 (28%), after adhesives, sealants and surface treatments with €8.2 billion (50%)².

¹ Henkel's history: <http://www.henkel.com/about-henkel/company-history-11789>.

² Henkel's annual report 2012: http://www.henkel.com/com/content_data/301992_GB2012_Ansicht_en.pdf

Henkel aims to be “a global leader in brands and technologies”. The company bases its vision on five values: i) making customers core to what Henkel does by meeting customer expectations and providing them with the best value, quality and the most innovative brands and technologies; ii) challenging and rewarding its people by treating each one with respect and dignity and developing their capabilities for the company’s success; iii) the company drives excellent sustainable financial performance to grow the value of the business and to provide a competitive return to its shareholders; iv) commitment to leadership in sustainability, respecting the environment and the quality of life in the communities in which it operates; v) and building Henkel’s future on the family business foundation, based on their long history of success³.

Henkel defined four strategic priorities in order to be “a global leader in brands and technologies”: i) outperforming with active portfolio management, leveraging top brands, developing powerful innovations and focusing on customers; ii) globalizing strategy by leveraging the strength in mature markets and expanding the presence in emerging markets; iii) simplifying through operational excellence with cost-efficiency, best-in-class processes and strong IT focus; iv) inspiring the global team through strong leadership, talent and performance focus and diverse teams⁴.

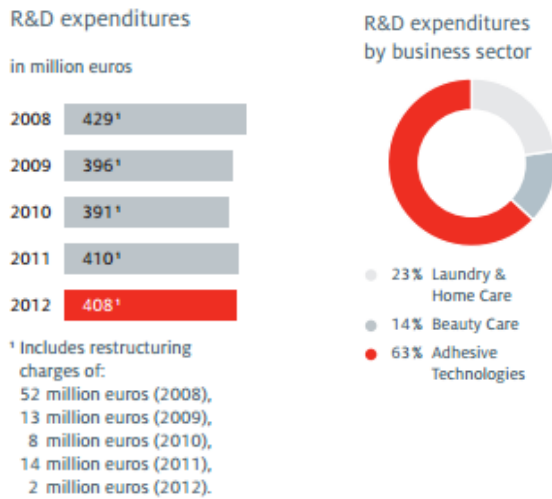
The company believes that innovations are the basis for successfully turning its vision into reality. That is the reason why Henkel launches a new product or a product line extension every year. They believe that innovation is the way to achieve better results but especially to differentiate their brands from the competition. Henkel considers that it will assure the company’s future viability and capacity to adjust and grow in this world where change is constant⁵. To achieve this level of innovation, Henkel has ten major research and development (R&D) centers throughout the world, located in North America, Europe and Asia (**Exhibit 2**). In 2012, the company has spent €406 million in R&D, which represents 2.6% of its total sales with 23% of those expenditures allocated to laundry and home care business area (**Exhibit 3**).

³ Henkel vision and values: http://www.henkel.com/com/content_data/211440_Vision_and_Values_2011_EN.pdf

⁴ Henkel strategic priorities: <http://www.henkel.com/about-henkel/strategy-37564.htm>

⁵ Henkel about innovation: <http://www.henkel.com/innovation-11783.htm>

Exhibit 3: Henkel's R&D expenditure.



3.2 Henkel Ibérica Portugal

Based in Barcelona, Henkel Ibérica is a subsidiary of Henkel AG & Co. operating in Portugal and Spain. Henkel Ibérica is an important subsidiary of the group, contributing more than €500 million per year in revenues and employing over 1,000 people⁶. The laundry and home care area in Portugal generated around €29 million in revenue in 2012.

In Portugal, laundry and home care operates with three brands divided between the two categories. Laundry has two brands: Persil and X-tra. Persil is the main brand and is positioned in the premium and mid-tier segments. It was launched for the first time in Germany in 1907 as the world's first automatic detergent⁷ and introduced in Portugal in 1990. X-tra has been present in the Portuguese market since 2003 and is positioned as a good value for money product.

Sonazol is the brand used for home care products in Portugal. Launched in 1951 by Sociedade Nacional de Sabões it was acquired by Henkel in 1991. It was introduced as a floor detergent but over the last twenty years Sonazol has created numerous innovations and some line extensions.

⁶ Henkel's History in Portugal: <http://www.henkel.pt/acerca-da-henkel/historia-da-henkel-em-portugal-1049.htm>

⁷ Henkel's History: <http://www.henkel.com/about-henkel/company-history-11789.htm>. Automatic means that consumers could obtain a clean and white laundry without drubbing and bleaching.

Henkel’s strategy is to ensure the superiority of Sonasol’s products. It is positioned in five segments (**Exhibit 4**) of the home care market: performance, multi-surfaces, wood surface, toilet and perfumed. In the performance, wood, toilet and perfumed segments, Sonasol is present with two ranges of products, the traditional and premium ranges. The traditional range strategy is based on good value for money. These products provide good performance for an accessible price. Traditional products are involved in a price and promotional war with competitors of the same range. The premium range provides innovative and high performance products, adding value to the market and differentiating from the other competitors special from the private labels (PL).

Exhibit 4: Sonasol’s product portfolio.



3.3 The Household Products Industry

In 2011, the global household products market⁸ grew 3.5% to €128 billion (**Exhibit 5a and 5b**). Between 2007 and 2011, the industry boasted a compound annual growth rate (CAGR) of 3.7%; however, during the five-year period between 2011 and 2016, the CAGR is expected to decrease to 3.4%, leading the market to reach a value of €151.1 billion in 2016 (**Exhibit 6a and 6b**).

⁸ Household products market consist of retail sales of air fresheners, dishwashing products, general purpose cleaners, textile washing products, paper products, insecticides and other products, including bleach, furniture and floor polish, toilet care products, and scouring products. The global market consists of North America, South America, Western Europe, Eastern Europe, Middle East and Africa, and Asia-Pacific. Source: MarketLine Industry Profile, Global Household Products, January 2013.

Textile cleaning products and general purpose cleaners represented 31.5% and 8% of the market value in 2011 respectively, being second and fourth among all the product categories (**Exhibit 7**).

Europe is the geographical region with the biggest share of the global market value with 34.1%, followed closely by the Asia-Pacific region and Americas (North and South America) with 33.2% and 31.1% respectively.

The household products industry has two main distribution channels: supermarkets/hypermarkets and independent retailers. These two channels account for 57.5% and 32.8% share of the total market value respectively (**Exhibit 8**). Usually, retailers selling through supermarkets and hypermarkets are sizeable, which enhances their negotiation power as clients⁹. The retailers' power has a tendency to be even stronger in developed countries, where retail markets tend to be concentrated. Despite all the different brands in the market, product benefits do not vary much from each other, which boosts customer power. Household products manufacturers are not usually able to buy raw and chemical materials from more than a few suppliers, which increases supplier power in this industry. On the other hand, the manufacturers operate with economies of scale and high-volume production systems, which reduce the threat of new entrants in the industry. All of these market characteristics combined, plus the size of the manufacturers, high fixed costs and high exit costs, lead to a high degree of rivalry¹⁰ (**Exhibit 9**).

Worldwide, this industry has six major players, Procter & Gamble, Unilever, Henkel, Reckitt Benckiser, S.C. Johnson & Son and Colgate-Palmolive, dominating the local markets with their brands.

3.3.1 The Household Products Industry in Portugal

In 2012, the household products market was valued at €258 million¹¹ in Portugal. Laundry is the biggest segment of the three, worth 65% (€167 million) of the industry, followed by home care 27% (€70 million) and toilet care 8% (€21 million).

⁹ In this case study, customers consist of people who buy the products in retail stores, whereas clients consist of retailing companies.

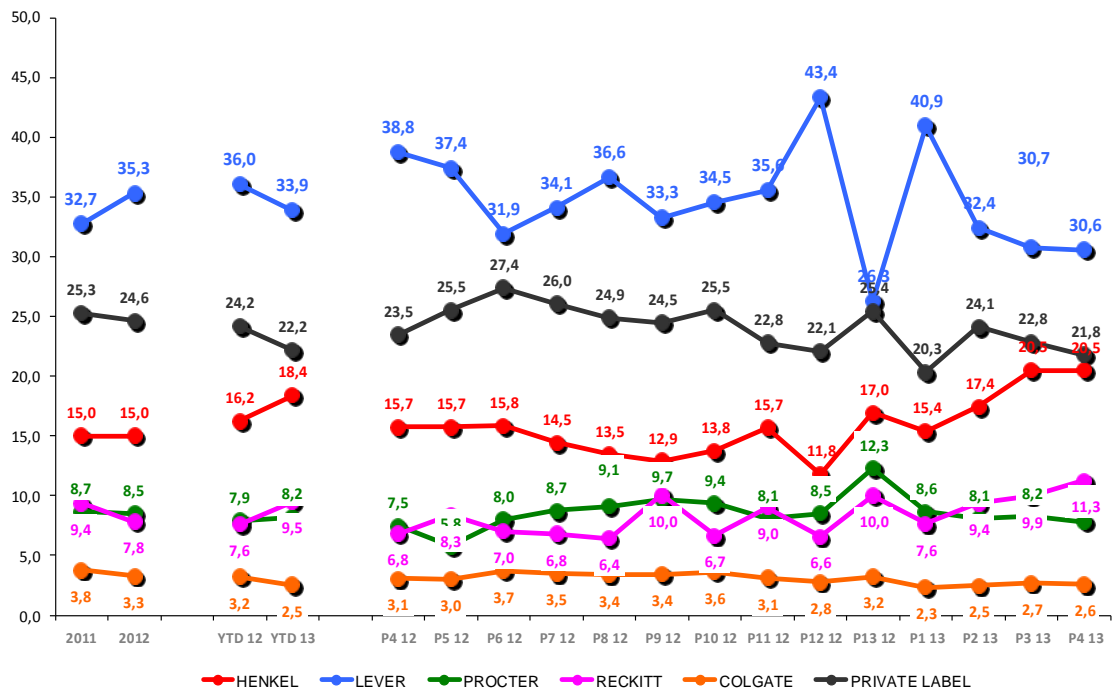
¹⁰ Source: MarketLine Industry Profile, Global Household Products, January 2013.

¹¹ This figure includes just laundry, home care and toilet care products. Source: Henkel sales department.

The Portuguese market suffered considerable variations in volume and value throughout 2012 (**Exhibit 10**). These variations occurred due to promotions by the brands and special offers by the retailers to promote their PL. At the end of 2012, the market was shrinking 6.8% in terms of volume, and 11.6% in value. At the beginning of 2013, market values were improved; in the fourth period¹² of 2013, market volume was down 2.4% and market value was down 1.8%, compared to the same period of the previous year. Taking into account the recession affecting the Portuguese economy, the market may still be considered stable and providing good opportunities.

Much like the rest of the world, in Portugal, this industry is dominated by the same major players competing against PL. In 2012, Unilever was the aggregate market leader with 35.3% market share, whereas Henkel was the third player with 15%, after the PL with 24.6% (**Exhibit 11**). However, Henkel is improving its overall market share and has achieved 18.4% year to date (YTD13)¹³ against Unilever's 33.9% and PL's 22.2%.

Exhibit 11: Companies' aggregated market share.



Source: Nielsen Portugal.

¹² "Period" is defined as a four-week period. A year is classified as having thirteen periods.

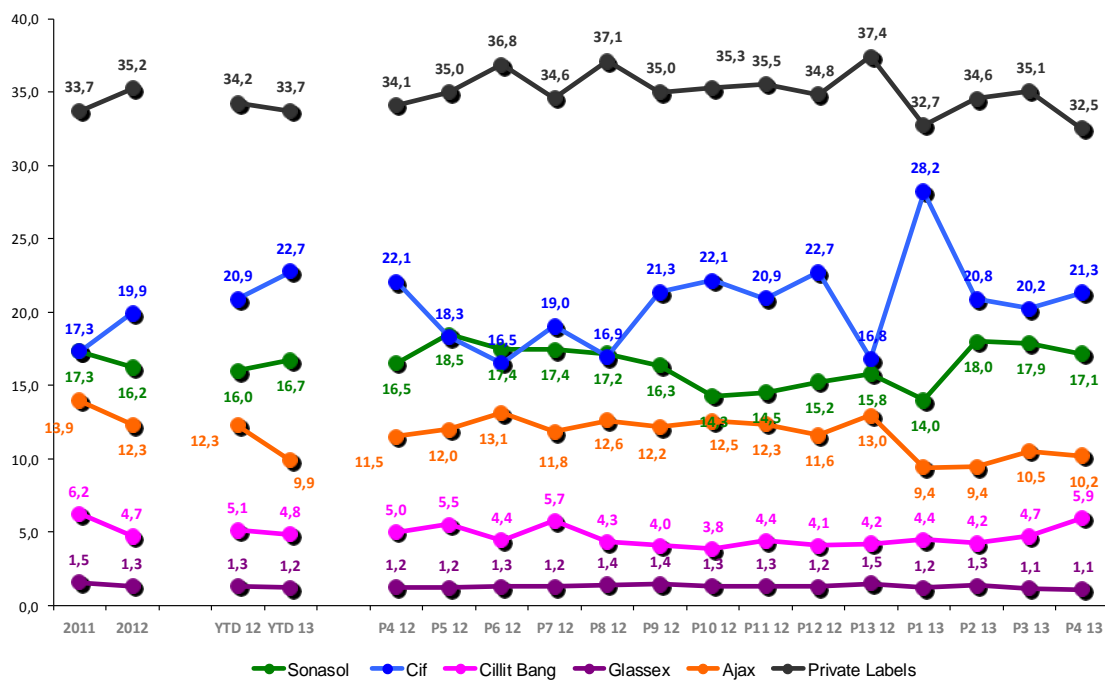
¹³ Year to date (YTD13) refers to the values from January 1st to April 21st 2013.

The laundry market is divided into three segments, according to product performance and price: premium segment, mid-tier and value for money (**Exhibit 12**). Persil (Henkel), Skip (Unilever), Ariel and Fairy (Procter & Gamble) are the brands positioned in the premium segment. The mid-tier segment is the smallest in terms of value and number of brands. It is made up of line extensions of Persil (Sabão Azul e Branco) and Skip (Sabão Natural and Lavanda). All the four biggest companies are present in the lowest segment with one brand each, X-tra (Henkel), Surf (Unilever), Xau (Reckitt Benckiser) and Tide (Procter & Gamble).

Skip dominated the laundry market in 2012 with 40.4% of market share. Recently, Persil reduced the gap between itself and the PL, increasing its market share from 10.9% in 2012 to 16.5% YTD13, even overtaking them in the third and fourth period of 2013, establishing itself as second in the market (**Exhibit 13**).

The home care market has eight segments, the largest being the perfumed cleaners, which accounts for 25% of the market, followed by toilet cleaners and bleach products, both worth 14% (**Exhibit 14**). The market is strongly controlled by PL, which represented 35.2% of the market in 2012. However, Cif and Sonasol are getting closer to them. In 2012, Cif and Sonasol boasted 19.9% and 16.2% respectively; however YTD13 both increased their market share to 22.7% and 16.7%, while PL was reduced to 33.7% (**Exhibit 15**).

Exhibit 15: Home care market shares.



Source: Nielsen Portugal.

Like the home care market, toilet care is dominated by PL too, achieving 35.8% market share in 2012. Sonasol WC is the third biggest brand in the market and has been growing, increasing 3% in market share (YTD13), now boasting 22.6%. During the same period, PL and WC Pato fell 1.3% and 2.8% respectively (**Exhibit 16**).

The FMCG retail market in Portugal is very centralized. There are just a few large retailers that dominate the market, namely Sonae's Continente, Jerónimo Martins' Pingo Doce and Auchan with Jumbo. These three retailers are the biggest three clients for every FMCG company in Portugal. For instance, they represent 57% of Henkel's sales¹⁴. This situation gives these three clients huge negotiating power.

Adding to the retailers' power, the household products industry is also characterized by intense competition for market share and weak consumer loyalty to brands. These three issues make this market very promotion-oriented. Companies must have promotional campaigns, like catalogue discounts, point-of-sales promotions and quantity discounts (**Exhibit 17**), during the entire year, in order to stay alive and achieve good results.

3.4 Sonasol Madeiras – New Product Development

3.4.1 Idea Generation

In 2008, Henkel launched Sonasol Oxigénio Activo with a new marketing mix strategy, including new packaging, a different price and positioning. However, the biggest difference was the new and better formula, which provides better cleaning performance and a faster drying. Due to all of the improvements and changes, Sonasol Oxigénio Activo represented a significant upgrade compared to Sonasol's traditional products. This heralded the birth of the Sonasol's premium range.

¹⁴ Source: Henkel's sales department.

This new product was a great market success. It had widespread acceptance and elevated Sonasol's brand image from a traditional product to a premium one. This success was reported to Henkel's international headquarters and the company decided to introduce another premium product to the Portuguese market, the Sonasol Brilhante Universal, which is a general surface cleaner that provides superior cleaning performance and quick drying, like the Oxigénio Activo, providing extra shine to floors as well. Brilhante Universal was also very successful in its first year on the market.

Sonasol already had a range of products focused on different segments, namely the PH Neutro, which is a product for delicate surfaces like wood and marble, and the Gel Casa de Banho, a toilet product. Nevertheless, the new products' success made Marques and Presas think that they could extend the premium range to these segments of the market, especially the wood and toilet segments. At that moment, they informed Henkel international headquarters about their idea and they found that Henkel already had a formula to produce that kind of product.

3.4.2 Market Analysis and Opportunities

Henkel's international procedures dictate that when a subsidiary has a new product idea it has to develop and present a market analysis to identify opportunities and to forecast product profitability.

Marques and Presas started the market analysis by searching for wood floor insights. Firstly, because of their experience, they knew that wood floors needed special treatment and special cleaning products. They knew that excess exposure to water and liquid products may damage wood floors, which meant, that this new product should have a very fast drying. Furthermore, they knew consumers disliked cleaning products that left residues on the floor after drying, especially on wood-based floors where it is more visible.

Then, they geared their research to consumers' cleaning habits. They found out that, on average, wood floors are cleaned 10.4 times per month, which is more than twice a week. Besides the fact that most modern houses have wood-based floor nowadays, this shows that consumers care about these floors and they clean them quite often, which might offer a good opportunity to Sonasol to extend its premium range to the wood segment.

They learned that only 77% of consumers usually used a cleaning product, whereas 20% used a dry utensil and 3% used just water¹⁵. Of those 77% using a product, 8% used a dust cleaner. The 28% of consumers using a dry utensil or a dust cleaner indicated that a significant percentage of consumers were afraid to use liquid cleaners on wood floors. This represented a great opportunity for Henkel, because these 28% could be educated that liquid cleaners did not damage wood floors, and that Sonasol Madeiras would be an innovative product in the wood floor segment, and they could become consumers.

During recent decades, the percentage of houses that have wood or wood-based floors has increased substantially. In modern houses, usually at least a portion of its floor is wood-based. This fact has made the wood segment grow within the surface cleaners market and become an attractive segment for brands in this industry. In recent years, some brands have begun introducing specialized products in this segment. In 2011, the wood segment represented 2.95%¹⁶ of the overall home care market, totaling €2.03 million in sales. This demonstrated that Sonasol could achieve good sales results if they introduced an innovative product in this segment.

Marques and Presas discovered that Sonae, Jerónimo Martins and Auchan would create a new special shelf for wood care products in their stores. This fact meant that retailers also knew that the wood care product segment was gaining importance in this market. This special shelf space for wood care products (**Exhibit 18**) was another good opportunity for introducing Sonasol Madeiras because it would accelerate and facilitate product visibility and awareness.

3.4.3 Marketing Strategy

Once Henkel launched Sonasol Oxigénio Activo and Brilhante Universal, Henkel defined a marketing mix strategy. The company decided to position them as premium products, due to their superior formula and stylish packaging. These two products were the foundation of the Sonasol's premium range. Henkel wanted to build a strong premium range of products, so they decided to use the same marketing mix strategy for all the products in that range, including Sonasol Madeiras.

¹⁵ Source: Henkel's marketing department.

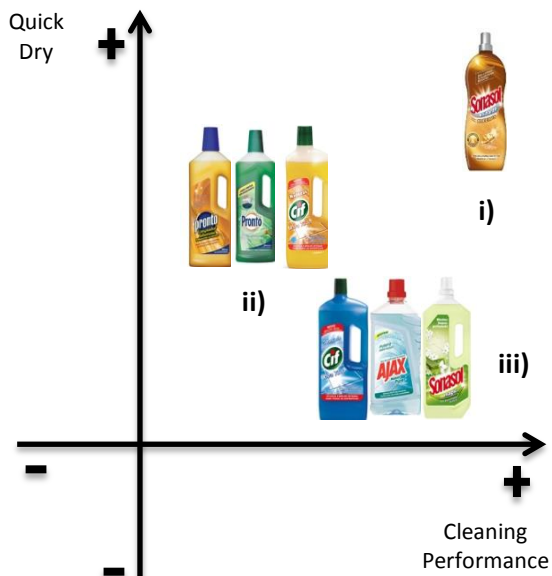
¹⁶ Source: Nielsen Portugal.

These products target young, modern and urban housewives, from medium and high socioeconomic classes, who value high performance and attractive products. The company decided that these products would have the same design and the same new stylish packaging to enhance the premium look of the product. All products would provide the same main benefits: superior cleaning performance, faster drying and a shine effect on the floor. However, each product would have individual benefits for each type of floor.

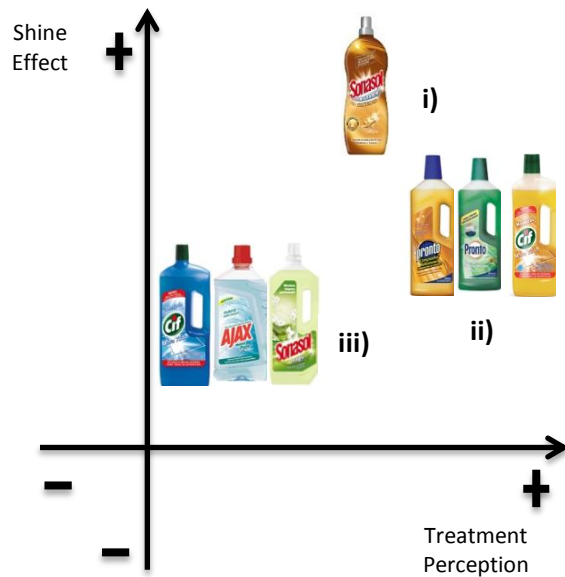
According to market analysis, some consumers did not use a general cleaner, like Sonasol, on their wood-based floors because they were afraid that water based products could damage them. In order to allay these consumers' fears, Henkel developed a new bio-alcohol formula that offered three main benefits, besides high cleaning performance and quick drying, to Sonasol Madeiras: extra shine, low residues and low foam.

The new bio-alcohol formula allowed Sonasol Madeiras to dry faster, provide superior cleaning performance and an extra shine than both general cleaners and wood specialized cleaners. It just could not have the same perception of wood treatment as specialized products have (Exhibit 19).

Exhibit 19: Sonasol Madeiras' perceptual maps.



Legend: **i)** Sonasol Madeiras; **ii)** wood specialized cleaners; **iii)** general surface cleaners.



Legend: **i)** Sonasol Madeiras; **ii)** wood specialized cleaners; **iii)** general surface cleaners.

Henkel believed that these products should have a premium price to distinguish them from Sonasol’s traditional range and from the competition. Sonasol’s traditional range, namely the Sonasol Magic and Sonasol PH Neutro were priced at €2.59 and €2.49, for 1.5 liters, respectively. Main competitors like Cif and Ajax priced their general surface cleaners at €2.86 and €2.55, for 1.5 liter, respectively. The only product priced as premium was Cillit Bang, which sells for €3.99 for 1.3 litters. So, the company chose a price with good profitability, above the traditional range and below the Cillit Bang price, which was €3.69 for 1.25 litters.

When it came to distribution channels, Presas stated that Sonasol Madeiras would have to be in as many retailers as possible, in order to build faster product awareness and segment penetration. That was Henkel’s distribution strategy. Because they are the two biggest retailers in Portugal, it would be mandatory to introduce the product in the Continente and Pingo Doce supermarkets. However, these two clients are the most “expensive” for Henkel as well. Due to their size as clients, they have a lot of conditions when negotiating with manufactures, for instance, quantity discounts and different prices for different shelf places are usually demanded. This is the reason why smaller clients are very important as well, because their weaker negotiation power means each unit sold gives a greater return.

3.4.4 Competition

In 2011, when Sonasol Madeiras was not in the market, the wood segment was dominated by two brands: Pronto and Cif. Pronto, which is a S.C. Johnson specialized brand for wood floor products, was the market leader with two liquid cleaners: Pronto Madeiras Sabão Natural with 1.08% market share¹⁶ and Pronto Madeiras Universal with 0.86%. Cif had the third best seller product, Cif Madeiras with 0.72% market share. There were two other specialized brands in this segment but with no significant share: Bufalo and Novycera.

Despite these existing brands in the wood segment, Presas knew that their main competitors would be the general surface cleaners from Ajax, Cif, Cillit Bang and PL, instead of specialized wood cleaners. This “fight” against general cleaners could involve some risk of cannibalization among Sonasol products, but according to him: *“when we launch a new product in the market the risk of cannibalization always exists. However, even if the consumer changes to another Sonasol product, it is better to keep them loyal to our brand than lose them to another. Furthermore, it can bring value to the company if they change from our traditional range to Sonasol Madeiras because it increases our profitability.”*

3.4.5 Communication Strategy

Nowadays, the general surface cleaners market is considered to be mature and saturated, in terms of the products variations that brands offer. This means that if a brand wants to introduce a new product to the market it should be innovative and offer something new for consumers. That is what Sonasol Madeiras does. It is a very innovative product and it provides new benefits in its segment. So, Henkel had to communicate this innovation and educate consumers to the fact that they would benefit from using Sonasol Madeiras on their wooden floors.

“Our main strategy was not to attack the existing brands specialized in wood products but to make consumers who use general cleaners on wood floors understand that in the medium/long- term they would benefit from using Sonasol Madeiras”, Tomás Presas.

Before commercialization, a public relations agency was hired to create a press release to inform the different media channels about the Sonasol Madeiras launch and to communicate the benefits of the product.

¹⁷ Market shares related to the overall home care market. Source: Nielsen PT

In order to develop consumer education, a television campaign was produced. Although Marques and Presas knew that television communication is not the most effective strategy, they chose it because Sonasol Madeiras is a FMCG sold in retail stores and television campaigns are the fastest way to reach as many consumers as possible. This campaign communicated the differences between Sonasol Madeiras and the general surface cleaners, such as the faster drying and no residues left on the floor.

In addition to this, Sonasol Madeiras was introduced in retailers' brochures to communicate the product's launch and its benefits (**Exhibit 20a**). This was an important communication tool because consumers consulted the brochure in stores and they also received it in their homes by mail.

A point-of-sales communication was produced by the marketing department, which involved islands, shelf tops and crowners (**Exhibit 20b and 20c**) used to promote the new product and its benefits. In all of these communications, a mix of Sonasol Madeiras and other premium range products were used to assess the range's success and visibility to increase the awareness of the new product.

3.4.6 Test Marketing

Henkel international headquarters presented the Sonasol Madeiras idea to its Spanish and Italian subsidiaries and asked them for a market analysis to assess the product's viability. After the three market analysis, Henkel decided to launch Sonasol Madeiras in Portugal, Spain and Italy. However, before full market introduction in these countries, they decided to test marketing the product in Spain due to larger market size and Henkel's good market share.

Sonasol Madeiras results were satisfactory, confirming Henkel's intention to extend the full product introduction into the Portuguese and Italian markets.

3.4.7 Commercialization

Every time Henkel starts a NPD process, a time-table is set so every department involved meets the deadlines of the process. Any delay during the NPD process may postpone product launch and cost the company sales.

There were no delays in the Sonasol Madeiras development process, so in February 2012, around seven months after the original idea, Sonasol Madeiras was launched onto the Portuguese market. Following the distribution strategy, it was introduced in every

hypermarket and supermarket and had a central place on the wood care shelves plus strategic communication places, like shelf tops and islands.

In the early stages of a product launch, Henkel usually uses a communication campaign that involves some form of discount. Sonasol Madeiras was introduced in stores with a collar with the message “100% free” (**Exhibit 21**). Consumers would pay the product price and then they had to fill in a coupon and send it to the agency that worked with Henkel on this campaign to receive the €3.69 they had paid. The aim was to encourage testing and market penetration. This action succeeded because the collar got consumers’ attention and encouraged consumption, and many consumers who bought the product did not send the coupon back to the agency, which did not increase marketing expenditure.

3.4.8 Results

Sonasol Madeiras revolutionized the wood cleaners segment. It was the first high performance cleaner for wood floors available on the market and it brought with it a set of benefits never before seen in a product for wood-based floors.

Despite their confidence in the product and marketing strategy, Marques and Presas had some concerns about the results for Sonasol Madeiras. These were related with the fact that it was launched as a premium product during a time when Portuguese families were reducing their spending and because it was launched as a revolutionary product and may not be well received.

However, internally, the Sonasol Madeiras launch was considered a success and it exceeded the established objectives for the first year:

- 32% more sales than the forecast¹⁸.
- 0.98% of total market share instead of the estimated 0.6%¹⁹, which represents second place in wood segment (**Exhibit 22**).
- 59% of weighted distribution²⁰ in the market, 9% more than the objective.

¹⁸ Source: Nielsen PT

¹⁹ Source: Nielsen PT

²⁰ Source: Nielsen PT; Weighted distribution consists in the percentage of the all country’s stores where the product is present.

These figures proved that the development and launch process of Sonasol Madeiras was well executed and Henkel had reason to be confident in the product and continue to support it with strong communication and promotion to improve the product's results in the coming years.

4. Market Research

After interviewing Henkel's personnel, it seemed useful to develop and use a questionnaire to collect further information about the Portuguese household products market and Portuguese consumers' perceptions, attitudes and habits related to those products.

The questionnaire's structure was developed to collect information about: consumers' awareness of household cleaning brands; consumer preferences regarding product features; associations and satisfaction levels with the brand Sonasol; and Sonasol Madeiras awareness and satisfaction.

4.1 Methodology and Sample Analysis

The questionnaire was developed using specialized online software and distributed online through email contacts and social networks.

It was made up of multiple choice questions where respondents selected one or more options, or sorted the options according to their preferences. The exception was the question "Indicate three household cleaning brands" which was an open question with three open spaces. The aim of this question was to analyze respondents' top of mind brands.

Every respondent had to indicate their gender and age. The "age" question included five ten years ranges in order to clearly identify the different age groups.

170 answers were obtained from a random sample of respondents, but due to incomplete and invalid answers only 152 answers were validated, 55% being from females and 45% from males. Among these 152 respondents 86 (57%) were between 19 and 29 years old, 25 (16%) between 30 and 39, 18 (12%) between 40 and 49, and 23 (15%) were more than 49 years old (**Exhibit 23a**).

4.2 Results

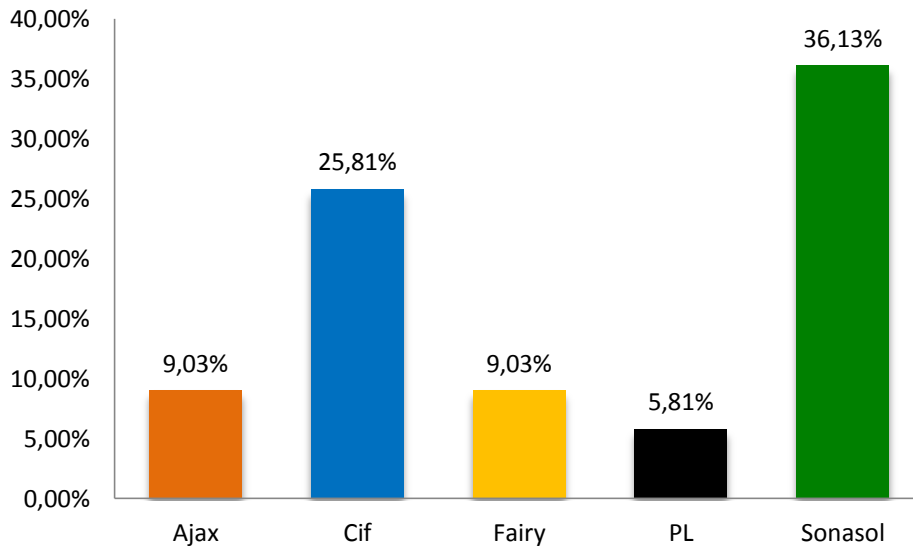
4.2.1 Household Cleaning Brand Awareness and Consumer Preferences

As previously mentioned, the household products market is made up of several segments and a lot of brands. The first objective of this questionnaire was to analyze consumers' brand awareness.

In the first question respondents were asked to mention three household cleaning brands, excluding laundry brands. With 36.13% of responses, Sonasol was the most mentioned as a top

of mind brand²¹, followed by Cif with 25.81%, Ajax and Fairy, both with 9.03% and PL with 5.81% (**Exhibit 23b.i**). Moreover, Sonasol was mentioned by 20% and 15% of respondents as the second and third brand respectively. The results are not surprising since these brands have been on the market for a very long time and have high market shares. These results also show that Sonasol is a top of mind brand in the market mainly due to its tradition and quality.

Exhibit 23b.i: Top of mind brands.

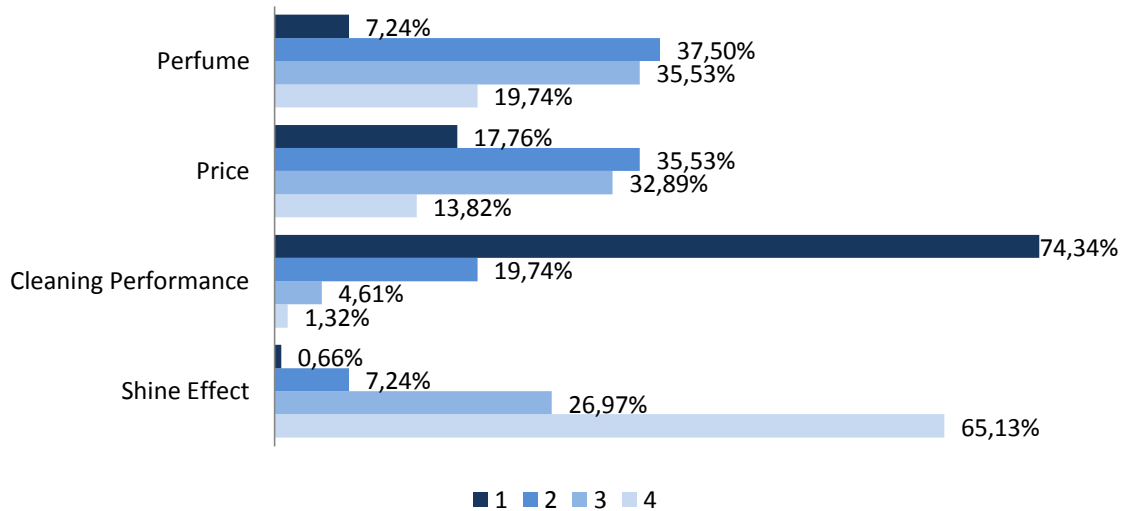


The third question showed several brand names and asked respondents to indicate which brands they recognized. Eight brands were shown and among them were Sonasol and its main competitors. Sonasol, Ajax and Cif were selected by 99%, 98% and 97% of the respondents (**Exhibit 23b.ii**) which reinforces their awareness in this market.

To analyze consumers' preferences, respondents were asked to sort four features related to household cleaning products. The four features were: perfume, cleaning performance, price and shine. The result was enlightening, 74.34% selected cleaning performance in first place, 17.76% selected price, 7.24% selected perfume and just 0.66% selected shine (**Exhibit 23b.iii**). This clearly showed that respondents value cleaning performance above all the other features. It is a good result for Sonasol since high cleaning performance is its main feature.

²¹ Top of mind brand definition: is a brand coming first in consumers' minds when thinking of a particular industry. Source: www.wikipedia.org

Exhibit 23b.iii: Consumer preferences.

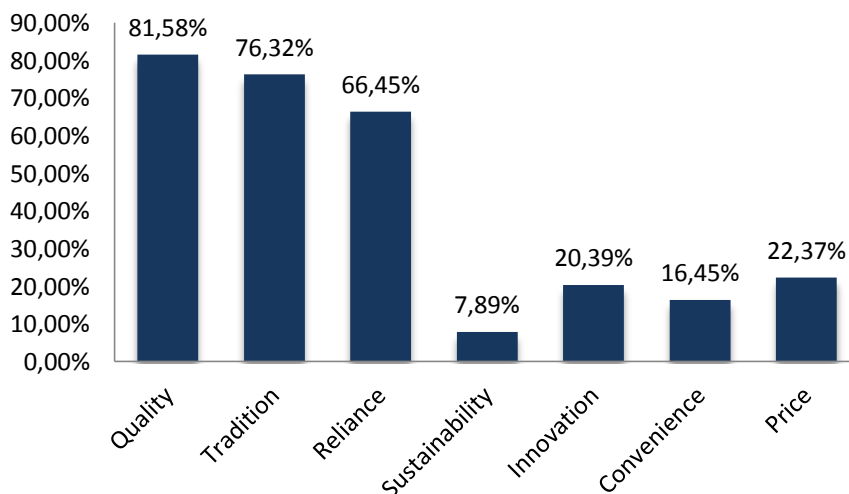


4.2.2 Consumers' Associations and Satisfaction about Sonasol

As Sonasol now has two ranges of products in the market, positioned in several segments and providing different benefits it was important to understand the respondents' associations with the brand. Respondents had to choose three from these seven association topics: quality, tradition, reliance, sustainability, innovation, convenience and price.

The results showed again that Sonasol is perceived as a quality, traditional and reliable brand. Quality was the most voted association topic with 81.58%, followed by tradition with 76.32% and reliance with 66.45% (**Exhibit 23c.i**).

Exhibit 23c.i: Sonasol associations.



There is another important result in this question that should be mentioned, only 20.39% of respondents selected innovation, which is less than would be expected because the Sonasol premium range wants to be perceived as a highly innovative range of products. However, it is understandable because Sonasol's premium range had only been on the market since 2008.

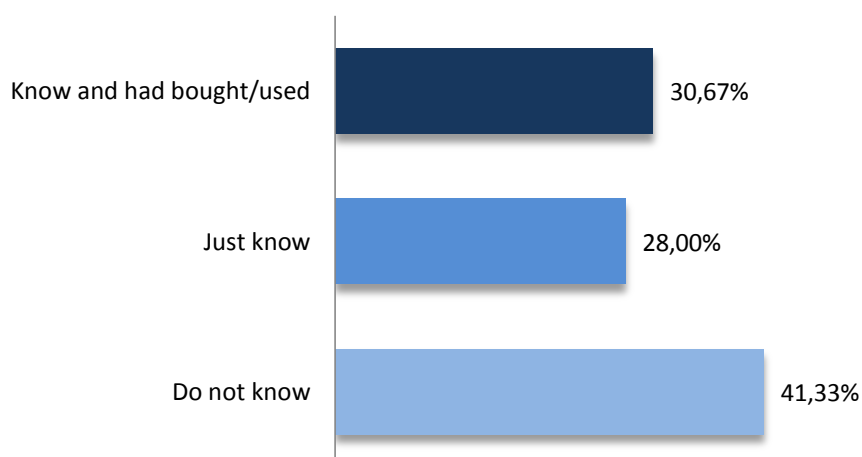
Before asking about satisfaction with Sonasol products, the fourth question asked about Sonasol consumption in the last three months. This question served as filter because only respondents that had bought or used at least one Sonasol product would go to the satisfaction question. The result was that 71% had bought or used at least one Sonasol product in the last three months (**Exhibit 23c.ii**). Then, four levels of satisfaction, between low and very high, were available to be chosen and 64.15% classified themselves as highly satisfied with Sonasol products (**Exhibit 23c.iii**).

4.2.3 Sonasol Madeiras Awareness and Satisfaction

Finally, the last part was about understanding consumers' awareness and satisfaction about Sonasol Madeiras.

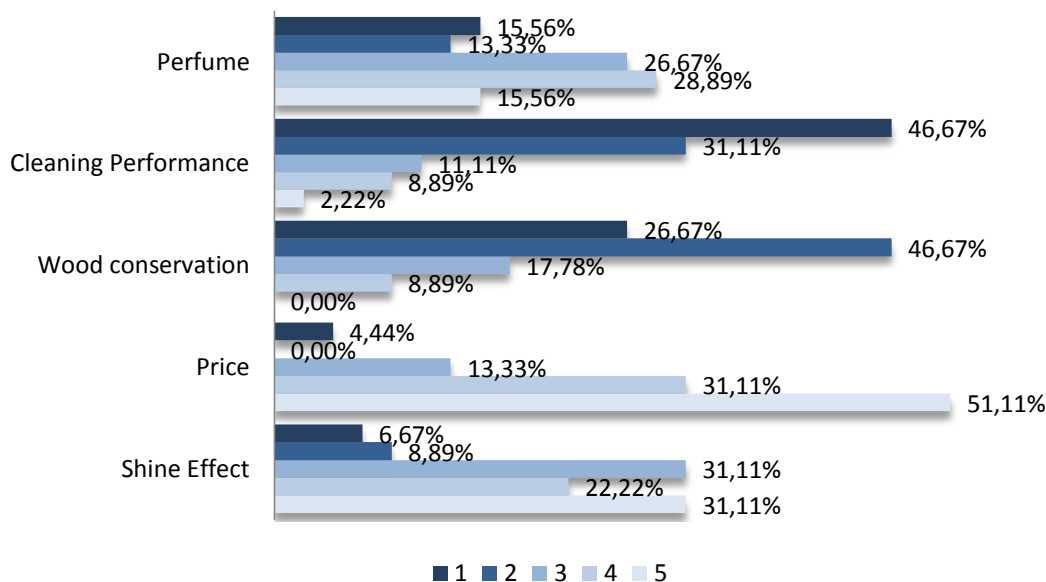
Since a respondent selected Sonasol as a known brand in question number three, they would respond to question number eight, which dealt with Sonasol Madeiras awareness. In this question, 30.67% stated "I know and have bought or used the product", 28% stated "I just know the product" and 41.33% "I do not know the product" (**Exhibit 23d.i**). Considering that Sonasol Madeiras had only been on the market for just over a year, 58.67% awareness is a good result for the brand. It confirms that Henkel is communicating and promoting the product well.

Exhibit 23d.i: Sonasol Madeiras awareness.



For those 30.67% who bought or used the product, the same satisfaction question was presented with four levels between low and very high. Again, high was the most popular answer with 54.35% (**Exhibit 23d.ii**), which illustrates that consumers are pleased with the product's performance. Furthermore, those who had bought or used the product were asked to sort four product features they appreciated most. Cleaning performance was positioned as the most appreciated feature by 46.67% respondents, wood floor conservation by 26.67% and perfume by 15.56% (**Exhibit 23d.iii**). These results are in line with the product features. The only main feature that did not have a major outcome was the shine effect. Nevertheless, it was consistently as the third more appreciated feature.

Exhibit 23d.iii: Sonasol Madeiras features appreciation.



5. Conclusion

In 1989, Henkel (a multinational company founded in 1876) entered the Portuguese market. Since then Henkel has established itself as a major player in the household products industry in Portugal, operating with its successful top brands Persil and Sonasol.

Henkel's history has been full of successful product developments and innovations. Since its foundation, innovation has been one of company's guidelines and business strategies. In 2008, they decided to bring a new level of innovation to the surface cleaners market with its new premium range of Sonasol. This new range was meant to revolutionize the market and make Sonasol the market leader. After a thorough analysis of the Portuguese market and consumers Henkel decided to launch the most innovative Sonasol product ever, Sonasol Madeiras. Sonasol Madeiras was the first general surface cleaner specialized for wood-based floors launched onto the market. It combined a unique mix of benefits specially developed for that particular surface. Its uniqueness made Sonasol Madeiras' first year a success, exceeding all of its established objectives.

5.1 Main Outcomes

This dissertation demonstrates how important innovation is in a competitive market and how a company should introduce a new product in this kind of markets by studying the Sonasol Madeiras case and explaining its development process and key success factors.

Four research questions were selected to help better understand the main outcomes of the Sonasol Madeiras case study.

RQ1: How can an innovative product like Sonasol Madeiras bring value to Henkel?

Henkel's laundry and home care brands are in a mature, saturated and promotional market. The household products industry is very mature and competitive, has few major players with big market shares, has high entry and exit costs and, especially in Portugal, brands and retailers are continuously using discount and promotion campaigns. These market conditions left brands with two only alternatives to grow: innovation and differentiation.

Henkel followed that line by searching for new opportunities, for Sonasol, in different segments of the market and they found it in the wood segment. Although this segment has been growing over the last years and retailers had created new special shelves for wood care products, they found that most consumers used a general surface cleaner on wood-based

floors and 28% of all consumers used dry or dust products because they were afraid of damaging the floor. These facts represented a double opportunity at the same time for Henkel because Sonasol Madeiras is a general surface cleaner ideal for wood-based floors with superior cleaning performance than most general surface cleaners, boasting special benefits developed for this type of floor.

Sonasol Madeiras is an example that companies in this market should invest in innovation and differentiation because consumers look for new products with more and better benefits for their needs and demands. Sonasol Madeiras was a successful investment by Henkel since in its first year in the market it was the second best-selling product in the wood segment and it has surpassed all of the first year's forecasts and targets.

RQ2: How important is a well-developed NPD process for the product's success?

A well-executed NPD process has a crucial impact on new product success. On one hand, a NPD process executed without delays and extra costs is extremely important for companies' finances because delays would represent lost sales and extra costs during the process may affect product profitability.

On the other hand, companies should involve people with the right expertise at every stage of the process to make it efficient. Moreover, stages like market analysis, marketing strategy and commercialization are essential and any mistakes or wrong decisions during these stages may compromise the new product's success.

Looking at the case of Sonasol Madeiras as an example, consumer habits, preferences and worries discovered in the market analysis provided the opportunity to introduce the product; marketing strategies including targeting, positioning and promotion were crucial because they were the tools to take advantage of market opportunities; in the commercialization stage companies have to take the right decisions concerning timing, placement, target and communication campaigns, like Henkel have done with television and point-of-sales campaigns.

RQ3: How did Henkel promote and communicate Sonasol Madeiras?

Henkel communication strategy had two main objectives: to make consumers who did not use water-based cleaners understand that Sonasol Madeiras did not damage wood-based floor, and educate consumers who used water-based general cleaners that they would benefit from using Sonasol Madeiras.

Besides superior cleaning performance, which is the main feature of Sonasol's premium range, Henkel focused promotion on the new bio-alcohol formula and its innovative benefits for wood-based floors, such as extra shine, quick drying, low residues and low foam.

Before the product's launch, a public relations agency developed a press release to inform the different media channels about Sonasol Madeiras. Because television advertisement is the fastest way to reach consumers, a television campaign was used, on several television channels during the launch. These two promotion channels were focused on the product's benefits and educating consumers about the product's value for wood-based floors.

During the launch, Sonasol Madeiras was available in stores with a promotion collar saying "100% free". This campaign, developed together with an advertisement agency, intended to accelerate product awareness and use. Moreover, Sonasol Madeiras' launch was promoted in retailers' brochures.

Sonasol Madeiras is continuously being promoted together with other premium range products in point-of-sales through islands, shelf tops and crowners. This combination of several premium products aims to reinforce the product awareness and image.

RQ4: What has influenced Sonasol Madeiras' success?

Sonasol Madeiras success can be explained in three parts: Henkel's orientation for innovation, the "homework" they did, and the product's uniqueness.

Innovation has been one of Henkel's pillars since its foundation. Nowadays, Henkel's international headquarters define innovation as the tool to be "a global leader in brands and technologies". This orientation allows local subsidiaries to introduce new products in local markets, providing the freedom to make these new products successful.

Before any subsidiary launches any product onto the local market, Henkel's international headquarters demand a market analysis to substantiate the product's launch. This "homework" involved thorough market research and market analysis. During analysis they discovered important insights and valuable opportunities to introduce the product. Furthermore, they defined the right marketing strategy, based on premium positioning and targeting modern and urban housewives.

Finally, the product's uniqueness is the third part of Sonasol Madeiras success. Henkel developed a product that adds enormous value to consumers, in terms of specialized benefits for wood-based floors and cleaning performance. This mix of benefits gave Sonasol Madeiras

a superior cleaning performance than most general surface cleaners and better specialized benefits than the average specialized products for wood-based floors.

6. Limitations and Future Research

The online questionnaire was a useful market research tool, providing important findings and results. Although over 150 validated respondents is a substantial sample, a bigger sample would be beneficial to achieve more accurate results.

Most respondents were aged between 19 and 29 and probably most of these respondents do not buy household products for their homes. As such, a question should have been asked to determine whether the respondents were the ones who buy their own household products or not because it could change the respondents' preferences and associations with products.

It would have been interesting to correlate respondents' insights about their associations with Sonasol and their satisfaction level with Sonasol products. These correlations may provide useful results and should be considered in future research. Also, future research on consumers' feelings about Sonasol Madeiras communication and promotion would be interesting.

7. Teaching Notes

7.1 Synopsis

Henkel is a multinational company operating in three business areas: adhesives, sealants and surface treatments; laundry and home care; and beauty care, in over 75 countries through local subsidiaries.

Sonazol, is Henkel's Portuguese brand for the home care market. Founded in 1951 and acquired by Henkel forty years later, Sonazol is one of the most recognized brands in the Portuguese household products market.

The market is boasts few major players, mainly multinational companies operating with their brands. Being a mature and very competitive market, companies are turning their attention to innovation. Innovation has been identified as one solution to grow and increase market share. Because of this, Henkel launched Sonazol Madeiras, a new line extension of its Sonazol premium range for wood-based floors. This case study focuses on Sonazol Madeiras development process and market introduction.

7.2 Use of the Case

This case study reviews the different stages of Sonazol Madeiras' development process and launch. The case study analysis will help students better understand how important innovation is for companies competing in highly competitive markets and how they may benefit from launching an innovative product onto the market.

7.3 Target Audience

The Sonazol Madeiras case study provides an understanding of how a new product should be developed and introduced in the market, and how important the supporting marketing strategies such as positioning, targeting, promotion and communication are.

This case may be studied by undergraduate and Master's students attending courses like new product development, brand management, marketing management and strategic marketing.

7.4 Teaching Objectives

The study of this case allows students to understand a real world situation of NPD and new product introduction in the market. It might be very useful to help students understand how important innovative products are in competitive markets like the household products market,

and shows the importance of launching an innovative product supported by the right marketing strategies.

7.5 Teaching Plan

Before the in-class discussion students should have some knowledge on the theoretical subjects presented in this case study. The following books are recommended reading:

- Kotler, P., Wong, V., Saunders, J., Armstrong, G. 2005 “Principles of Marketing”, Fourth European Edition, Chapter 14 - *New-product development and product life-cycle strategies*.
- Dibb, S., Simkin, L., Pride, W. M., Ferrel, O. C. 2001 “Marketing – Concepts and Strategies”, Fourth European Edition, Chapter 10 - *Developing and Managing Products*.

7.5.1 Assignment Questions

1. Which are the main benefits companies may gain from product line extensions? Did Henkel profit from those benefits?

Usually companies introduce product line extensions to take advantage of market opportunities and to respond to a consumer need. Companies use product line extensions as expansion and growth strategies (Kotler, Wong, Saunders and Armstrong, 2005). Henkel introduced Sonasol Madeiras to take advantage of wood segment growth and consumers’ demand for surface cleaners that do not damage wood-based floor.

Besides the financial benefits from extra sales, product line extensions often reduce promotion expenditure because companies can promote more than one line together, and it enhances parent brand equity. In addition to Sonasol Madeiras’ sales, Henkel benefited from promoting the new product along with other well recognized products, and Sonasol Madeiras’ good results in the wood segment helped enhance Sonasol brand equity.

2. How important is it for Sonasol Madeiras to be part of Sonasol’s premium range?

Sonasol Madeiras originated from the idea of extending the Sonasol’s premium range to wood-based floors. At that time, Henkel aimed to take advantage of Sonasol’s premium formula, which was already used in highly successful products, like Sonasol Oxigénio Activo and Sonasol Brilhante Universal, and adapt it to wood-based floors.

Henkel wanted to take advantage of existing product success by associating Sonasol Madeiras as much as possible with them. Being part of Sonasol’s premium range, Sonasol Madeiras had

the same package and same price as the rest of the products. Moreover, they used the same positioning, targeting, placement and promotion strategies they had used before. Henkel also promoted and communicated Sonasol Madeiras together with other premium range products in point-of-sales, which increased the associations with successful products and accelerated Sonasol Madeiras awareness and trial.

3. What was Sonasol Madeiras main competition and why?

Henkel's market research showed that most consumers use general surface cleaners on wood-based floors. Although Sonasol Madeiras is positioned as a specialized product for wood-based floors, Marques and Presas saw consumers who used general surface cleaners as the main target because it would be easier to move them from using a general surface cleaner to Sonasol Madeiras than moving them from another wood specialized product. This strategy made general surface cleaners Sonasol Madeiras' main competition.

Their strategy was to "attract" consumers into the wood segment by making them see that they would benefit from using Sonasol Madeiras. They "attacked" by communicating and showing consumers that Sonasol Madeiras had a superior cleaning performance than general surface cleaners and most of all had a faster drying and provided extra shine with no residues on the floor.

8. References

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9. Exhibits

Exhibit 1: Henkel's first detergent, Bleich-Soda.



Exhibit 2: Henkel's major R&D centers.



Source: Henkel's website.

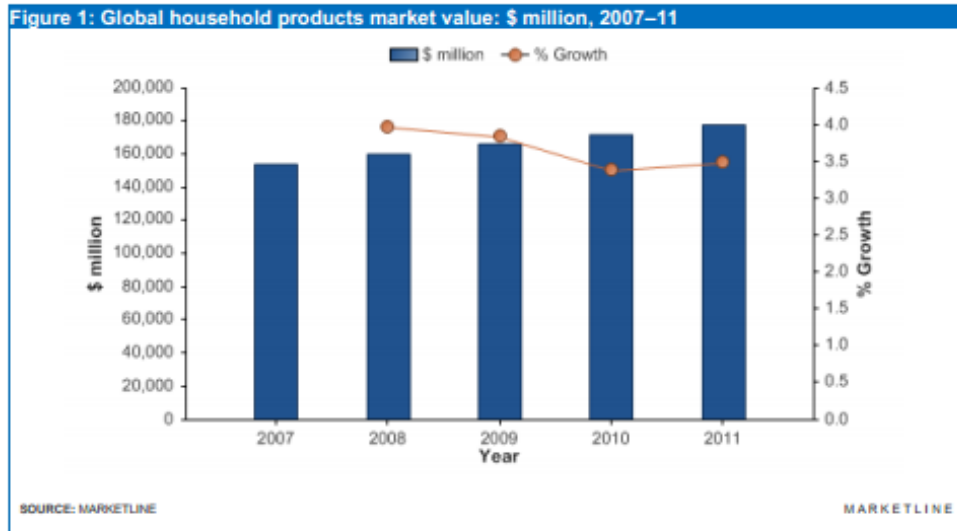
Exhibit 5a: Global household products market value.

Year	\$ million	€ million	% Growth
2007	154,180.2	110,825.4	
2008	160,303.4	115,226.7	4.0%
2009	166,455.7	119,649.0	3.8%
2010	172,086.0	123,696.1	3.4%
2011	178,087.8	128,010.2	3.5%
CAGR: 2007–11			3.7%

SOURCE: MARKETLINE MARKETLINE

Source: Marketline – Global Household Products, January 2013.

Exhibit 5b: Global household products market growth.



Source: Marketline – Global Household Products, January 2013.

Exhibit 6a: Global household products market value forecast.

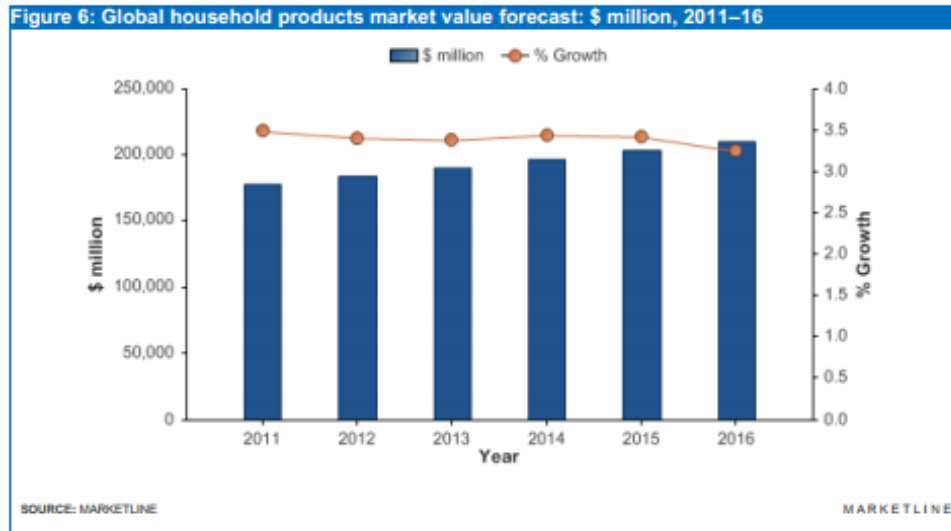
Table 7: Global household products market value forecast: \$ million, 2011–16

Year	\$ million	€ million	% Growth
2011	178,087.8	128,010.2	3.5%
2012	184,155.0	132,371.4	3.4%
2013	190,383.1	136,848.1	3.4%
2014	196,934.3	141,557.1	3.4%
2015	203,668.2	146,397.5	3.4%
2016	210,280.3	151,150.3	3.2%
CAGR: 2011–16			3.4%

SOURCE: MARKETLINE MARKETLINE

Source: Marketline – Global Household Products, January 2013.

Exhibit 6b: Global household products market growth forecast.



Source: Marketline – Global Household Products, January 2013.

Exhibit 7: Global household products category segmentation.

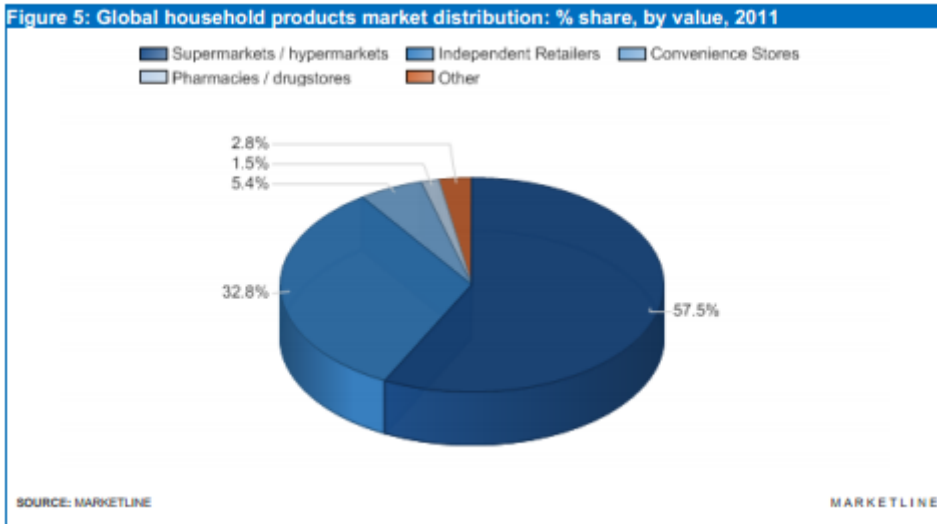
Table 2: Global household products market category segmentation: % share, by value, 2007–2011

Category	2007	2008	2009	2010	2011	2007-11 CAGR(%)
Paper products	32.4%	32.8%	33.1%	33.2%	33.4%	2.9%
Textile washing products	32.3%	32.0%	31.9%	31.7%	31.5%	2.0%
Insecticides	8.5%	8.5%	8.6%	8.6%	8.7%	2.9%
General purpose cleaners	8.1%	8.0%	8.0%	8.0%	8.0%	2.1%
Dishwashing products	7.0%	6.9%	7.0%	7.0%	7.1%	2.6%
Air fresheners	4.2%	4.2%	4.2%	4.2%	4.2%	2.3%
Other	7.5%	7.5%	7.3%	7.3%	7.1%	1.7%
Total	100%	100%	100%	100%	100%	16%

SOURCE: MARKETLINE MARKETLINE

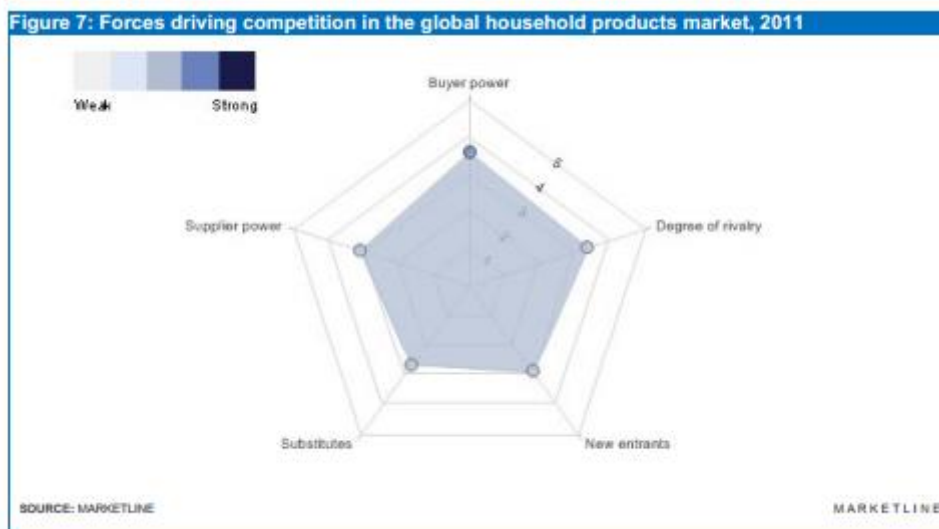
Source: Marketline – Global Household Products, January 2013.

Exhibit 8: Global household products market distribution



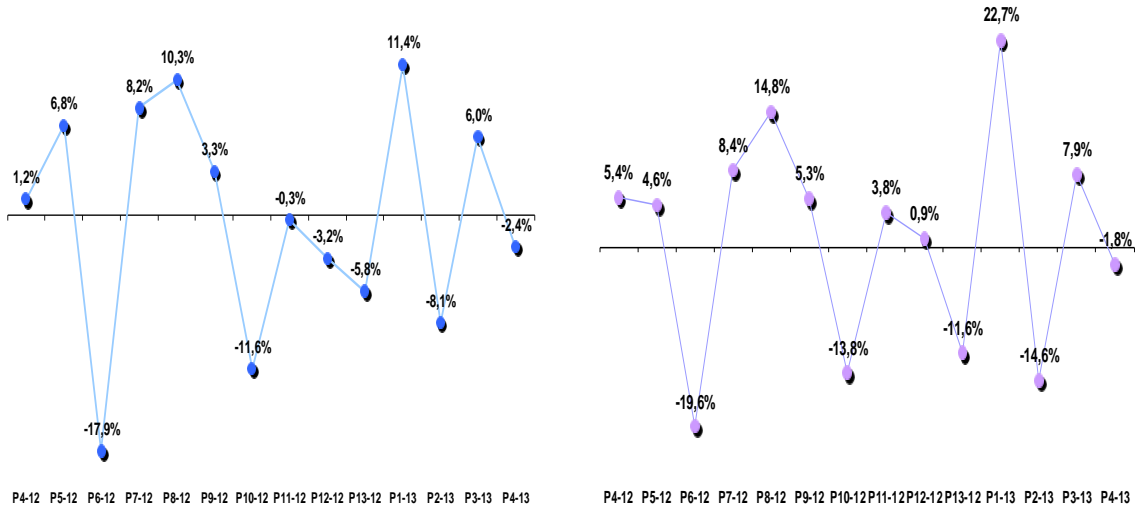
Source: Marketline – Global Household Products, January 2013.

Exhibit 9: Global household products market five force analysis.



Source: Marketline – Global Household Products, January 2013.

Exhibit 10: Portuguese household products market.



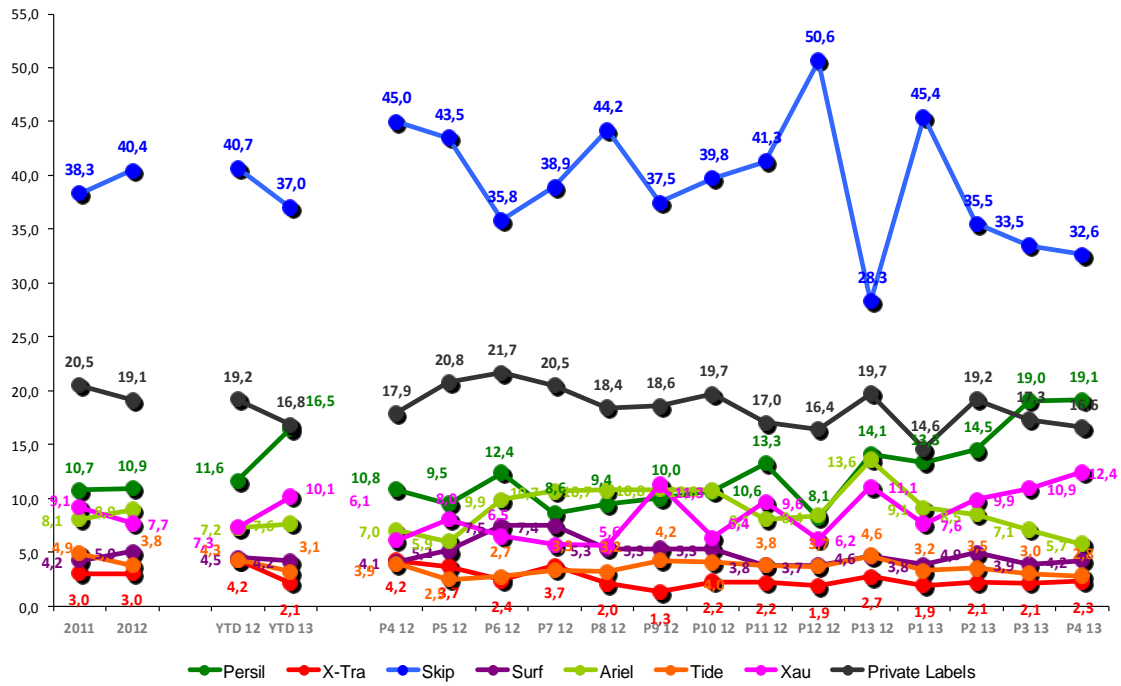
Legend: Portuguese household products market variations in volume and value respectively.

Source: Nielsen Portugal.

Exhibit 12: Laundry market segments.

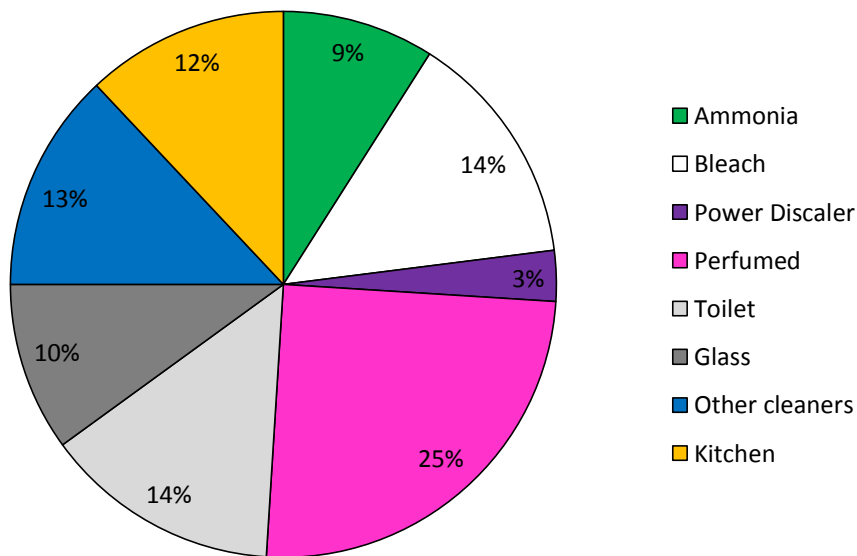


Exhibit 13: Laundry market shares.



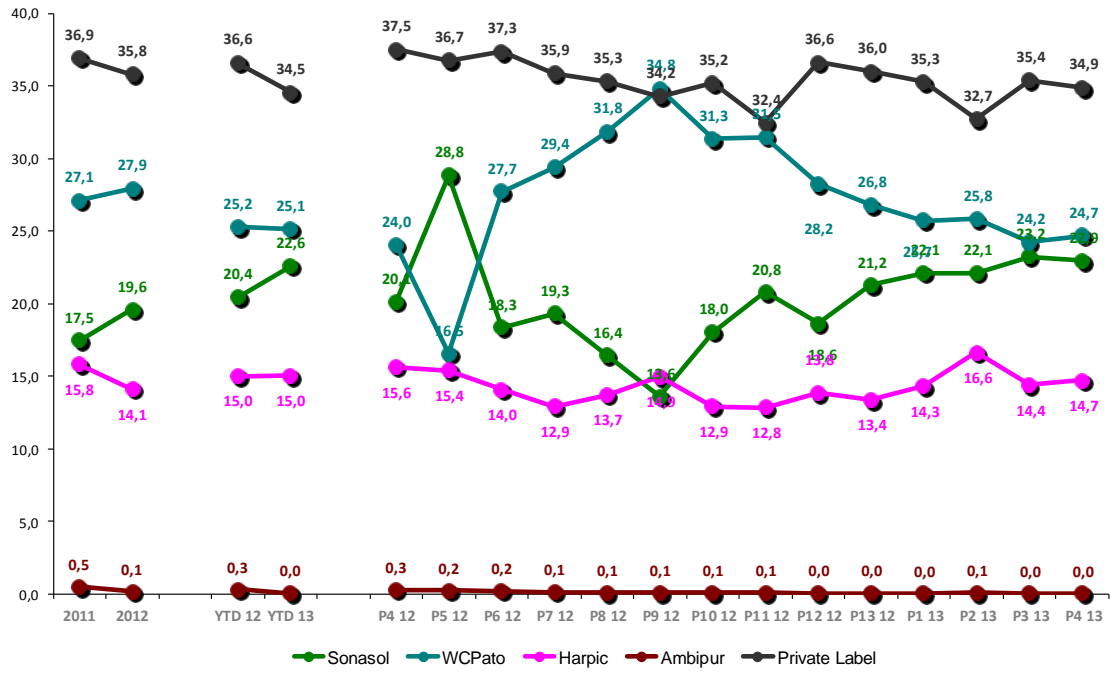
Source: Nielsen Portugal.

Exhibit 14: Home care segments' values.



Source: Nielsen Portugal.

Exhibit 16: Toilet care market shares.



Source: Nielsen Portugal.

Exhibit 17: Sonasol quantity discount.



Exhibit 18: Shelf for wood care products.



Exhibit 20a: Sonasol's catalogue communication.



Exhibit 20b: Sonasol's premium range island.



Exhibit 20c: Sonasol’s premium range shelf top.



Exhibit 21: Sonasol Madeiras collar “100% Grátis”.



Exhibit 22: Wood segment market shares.

	2011	2012	YTD12	YTD13
Sonasol Madeiras	—	0.98%	0.8%	1.01%
Cif	0.72%	0.8%	0.77%	1.12%
Pronto Sabão Natural	1.08%	1.20%	1.29%	1.12%
Pronto Universal	0.86%	0.95%	1.01%	0.88%

Source: Henkel sales department.

Legend: YTD12 refers to the values from January 1st to April 21st 2012; and YTD13 refers to the period from January 1st to April 21st 2013.

Exhibit 23a: Respondents' age.

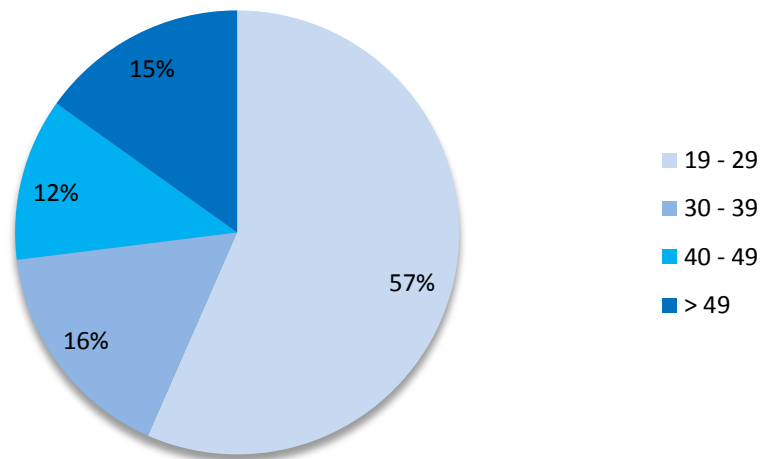


Exhibit 23b.ii: Brands' awareness.

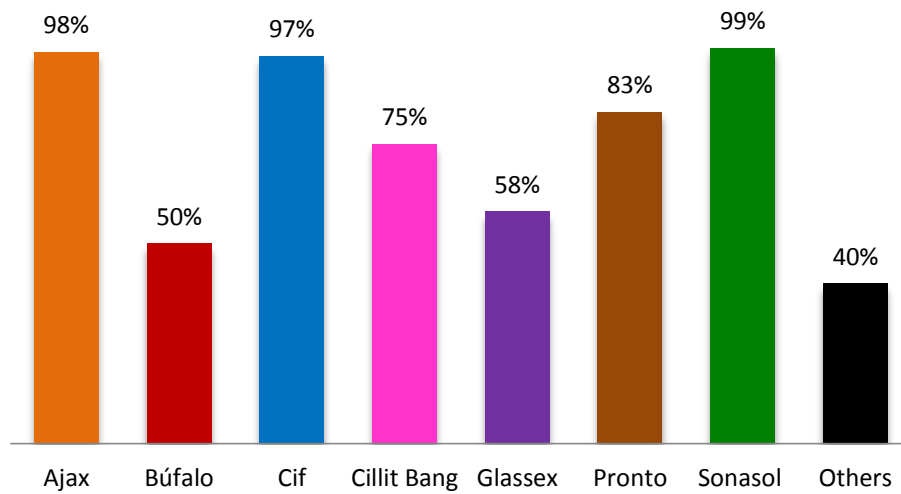


Exhibit 23c.ii: Sonasol consumption in the last three months.

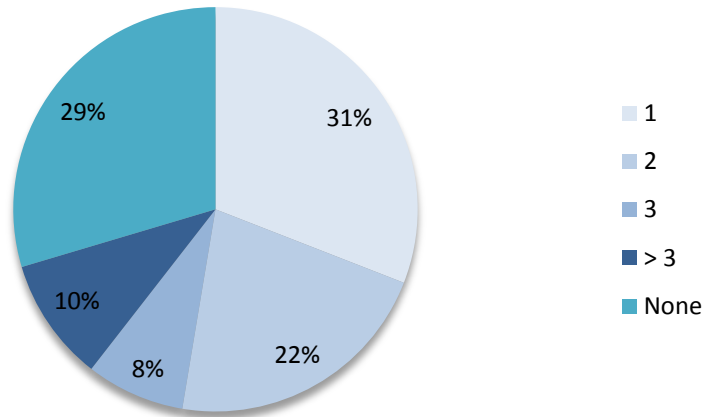


Exhibit 23c.iii: Sonasol satisfaction level.

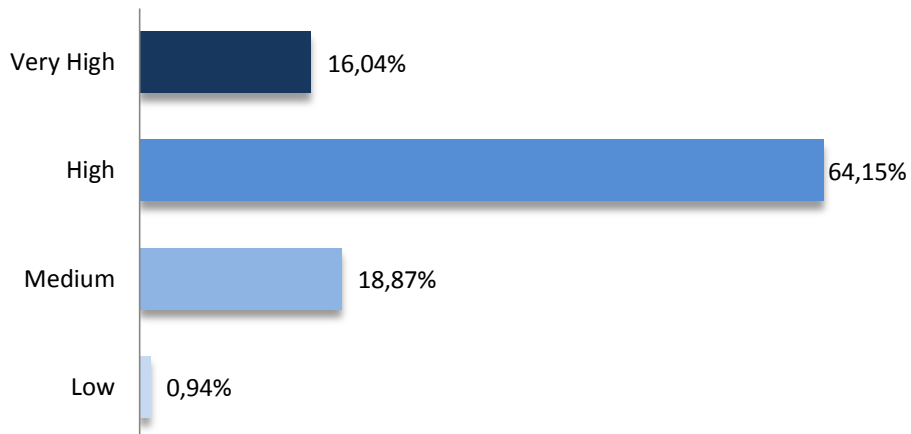
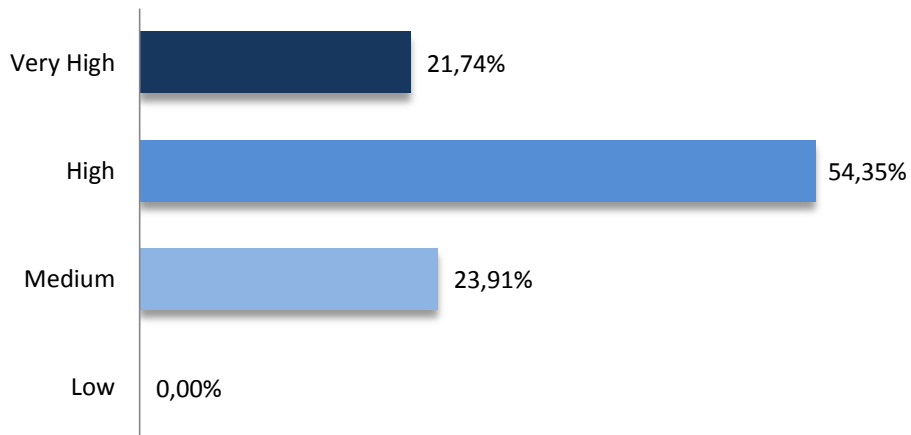


Exhibit 23d.ii: Sonasol Madeiras satisfaction level.



10. Appendices

10.1 Appendix 1: Interview Guidelines to Angela Marques and Ana Catarina Sanches

Location: Henkel head Office, Portugal

Date: 29th May 2013

Interviewed: Angela Marques, Marketing and Trade Manager and Ana Catarina Sanches, Persil Brand Manager

1. Presentation of thesis' objectives and explanation of what information was sought;
2. Topics discussed in the interview:
 - a. Detergents market value in Portugal;
 - b. Henkel's structure and previous year results;
 - c. How important is innovation for Henkel;
 - d. The importance of developing and introducing new products in highly competitive industries;
 - e. Main sources of new products' ideas;
 - f. Henkel's marketing strategy for new products;
 - g. Percentage of new products' success and reasons for failures;
 - h. Results of the latest products;
3. Request for Henkel's recent results

10.2 Appendix 2: Interview Guidelines to Tomás Presas

Location: Henkel head Office, Portugal

Date: 11th June 2013

Interviewed: Tomás Presas, Sonasol Brand Manager

1. Presentation of the thesis' objectives.
2. Topics discussed in the interview:
 - a. General surface cleaners segments;
 - b. Sonasol's portfolio strategy;
 - c. Sonasol Madeiras New Product Development process:
 - i. Idea Generation;
 - ii. Concept Test;
 - iii. Marketing Strategy;
 - iv. Business Analysis;
 - v. Sonasol Madeiras Introduction;
 - d. Sonasol Madeiras Results;
3. Request for Sonasol results figures;
4. Request for Sonasol communication examples.

10.3 Appendix 3: Questionnaire

1. Name three brands of household products:

Note: household products refer to surface, toilet and kitchen cleaners. Excluding laundry products.

Brand 1 _____

Brand 2 _____

Brand 3 _____

2. Please order (by dragging rows) from 1 to 4, where 1 is the characteristic you value the most and 4 is the characteristic you value less about a home cleaning product:

- Perfume
- Price
- Cleaning Performance
- Shine Effect

3. Which of these household products brands do you know?

- Ajax
- Glassex
- Pronto
- Sonasol —————> **If Sonasol was NOT selected go to question 8**
- Cif
- Cillit Bang
- Búfalo
- Another

4. How many Sonasol products have you bought/used in the last three months?

- None —————> **If "none" was selected go to question 5**
- 1
- 2
- 3
- > 3

4.1 What is your satisfaction level with Sonasol products?

- Low
- Medium
- High
- Very High

5. Which company sells Sonasol products?

- Unilever
- Henkel
- Procter & Gamble
- Reckitt Benckiser

6. Which values do you link more with Sonasol (select three)?

- Quality
- Tradition
- Reliance
- Sustainability
- Innovation
- Convenience
- Price

7. Do you know Sonasol Madeiras? Did you ever use it?

- Just know it —————> **If “just know it” selected got to question 8**
- I know it and I used/bought it —————> **If “I know it and I used/bought it” selected go to question 7.1**
- I do not know it —————> **If “I do not know it” selected got to question 8**

7.1 What is your satisfaction level with Sonasol Madeiras?

- Low
- Medium
- High
- Very High
- Please order (by dragging rows) from 1 to 4, where 1 is what you do appreciate most and 4 what you do appreciate least in Sonasol Madeiras

7.2 Please order (by dragging rows) from 1 to 4, where 1 is what you do appreciate most and 4 what you do appreciate least in Sonasol Madeiras:

- Perfume
- Cleaning Performance
- Wood Conservation
- Price
- Shine Effect

8. Gender:

- Male
- Female

9. Age:

- <18
- 19 – 24
- 25 – 30
- 31 – 40
- >40