**Marketing Excellence Procter & Gamble**

Procter & Gamble (P&G) began in 1837 when brothers-in-law William Procter and James Gamble formed a small candle and soap company. Over the next 150 years, P&G innovated and launched scores of revolutionary products with superior quality and value, including Ivory soap in 1882, Tide laundry detergent in 1946, Crest toothpaste with fluoride in 1955, and Pampers disposable diapers in 1961. The company also opened the door to new product categories by acquiring a number of companies, including Richardson-Vicks (makers of personal care products like Pantene, Olay, and Vicks), Norwich Eaton Pharmaceuticals (makers of Pepto-Bismol), Gillette, Noxell (makers of Noxzema), Shulton’s Old Spice, Max Factor, and the Iams pet food company.

Today, Procter & Gamble is one of the most skillful marketers of consumer-packaged goods in the world and holds one of the most powerful portfolios of trusted brands. The company employs 121,000 people in about 80 countries worldwide, has 25 billion-dollar global brands, spends more than $2 billion annually on R&D, and has total worldwide sales in excess of $84 billion a year. Its sustained market leadership rests on a number of different capabilities and philosophies. These include:

* **Customer knowledge**: P&G studies its customers—both the end consumers and its trade partners—through continuous marketing research and intelligence gathering. It spends more than $100 million annually on more than 10,000 formal consumer research projects and generates more than 3 million consumer contacts via its e-mail and phone center. The company also encourages its marketers and researchers to be out in the field, interacting with consumers and retailers in their home environment.
* **Long-term outlook**: P&G takes the time to analyze each opportunity carefully before acting. Once committed, the company develops the best product possible and executes it with the determination to make it a success. For example, it struggled with Pringles potato chips for almost a decade before achieving market success. Recently, P&G has increased its presence in developing markets by focusing on affordability, brand awareness, and distribution through e-commerce and high-frequency stores.
* **Product innovation**: P&G is an active product innovator. The company employs 1,000 science PhDs, more than Harvard, Berkeley, and MIT combined, and applies for roughly 3,800 patents each year. Part of its innovation process is to develop brands that offer new consumer benefits. Recent innovations that created entirely new categories include Febreze, an odor-eliminating fabric spray; Dryel, a product that helps “dry-clean” clothes at home in the dryer; and Swiffer, a cleaning system that effectively removes dust, dirt, and hair from floors. Larry Huston, former innovation officer at P&G, stated, “P&G is largely a branded science company.”
* **Quality strategy**: P&G designs products of above-average quality and continuously improves and reformulates them. When the company says “new and improved,” it means it. Recent examples include Tide Pods, a compact laundry detergent tablet; Pampers Rash Guard, a diaper that treats and prevents diaper rash; and improved two-in-one shampoo and conditioner products Pantene, Vidal Sassoon, and Pert Plus.
* **Brand extension strategy**: P&G produces its brands in several sizes and forms. This strategy gains more shelf space and prevents competitors from moving in to satisfy unmet market needs. P&G also uses its strong brand names to launch new products with instant recognition and much less advertising outlay. The Mr. Clean brand has been extended from household cleaner to bathroom cleaner and even to a carwash system. Old Spice extended its brand from men’s fragrances to deodorant. Often, P&G will leverage the technologies already in place to create a brand extension. For example, when Crest successfully extended its brand into a new tooth-whitening system called Crest Whitestrips, the company used bleaching methods from P&G’s laundry division, film technology from the food wrap division, and glue techniques from the paper division.
* **Multibrand strategy:**P&G markets several brands in the same product category, such as Luvs and Pampers diapers and Oral-B and Crest toothbrushes. Each brand meets a different consumer want and competes against specific competitors’ brands. At the same time, the company is careful not to sell too many brands and recently reduced its vast array of products, sizes, flavors, and varieties to assemble a stronger brand portfolio.
* **Strong sales force:**P&G’s sales force has been named one of the top 25 sales forces by *Sales & Marketing Management* magazine. A key to its success is the close tie its sales force forms with retailers, notably Walmart. The 150-person team that serves the retail giant works closely with Walmart to improve both the products that go to the stores and the process by which they get there.
* **Manufacturing efficiency and cost cutting:**P&G’s reputation as a great marketing company is matched by its excellence as a manufacturing company. The company has successfully developed and continually improves its production operations, which keep costs among the lowest in the industry. As a result, it is able to offer reduced prices for its premium products.
* **Brand-management system:**P&G originated the brand-management system, in which one executive is responsible for each brand. The system has been copied by many competitors but not often with P&G’s success. Recently, P&G modified its general management structure so that a category manager runs each brand category and has volume and profit responsibility. Although this new organization does not replace the brand-management system, it helps to sharpen strategic focus on key consumer needs and competition in the category.

P&G’s accomplishments over the past 177 years have come from successfully managing the numerous factors that contribute to market leadership. Today, the company’s wide range of products are used by 4.8 billion people around the world in 180 different countries.

**Marketing Excellence Caterpillar**

Caterpillar was founded in 1925 when two California-based tractor companies merged. The name “Caterpillar,” however, dates back to the early 1900s when Benjamin Holt, one of the company’s founders, designed a tractor crawler with wide, thick tracks instead of wheels. These tracks prevented the machine from sinking into California’s deep, rich soil, inspiring one observer to say it “crawled like a caterpillar.”

Holt sold the tractor under the Caterpillar brand, and after the merger, the company became the Caterpillar Tractor Company. Caterpillar Inc., or CAT, is now the largest manufacturer of earth-moving equipment and engines in the world, selling hundreds of different machines for eight industries: residential, nonresidential, industrial, infrastructure, mining and quarrying, energy, waste, and forestry. Their distinctive yellow color has helped make the brand a U.S. icon.

How did a small tractor manufacturer become one of the biggest companies in the world? Caterpillar grew steadily at first, hitting a few critical milestones including the use of its trademark farm treads on Army tanks in World Wars I and II. Huge postwar construction contracts and strong overseas demand kept sales strong through the mid-20th century, as did innovations like the diesel tractor and rubber-tired tractors.

Things changed, however, when the early 1980s recession hit Caterpillar hard and international competitors like Japan’s Komatsu gained market share. High prices and inflexible bureaucracy nearly sent the company into bankruptcy. In 1982 alone, it lost $6.5 billion, laid off thousands of employees, closed several factories, and suffered a long United Auto Workers strike.

In the 1990s, Caterpillar recognized that it desperately needed to change, and under new leadership it pulled off one of the biggest turnarounds in corporate history. Several factors played a role:

* Caterpillar boldly fought the United Auto Workers and outlasted two strikes and seven years of disagreements.
* The company decentralized and restructured into several business units, each responsible for its own P&L.
* It invested $1.8 billion in automating and streamlining manufacturing with a combination of just-in-time inventory and flexible manufacturing. Caterpillar became more efficient and competitive, though it also was forced to lay off more of its workforce.
* The company made research and development one of its biggest priorities, investing hundreds of millions of dollars in new technologies, products, and machines. As a result, CAT construction trucks became more high-tech, competitive, and environmentally friendly.

Today, Caterpillar ranks first or second in every industry it serves. Its products are unmatched in quality and reliability, and the company remains focused on innovation with a $2.5 billion annual R&D budget. New products are launched every year. Recent innovations include hybrid diesel-electric tractors—the first of their kind—and lower-emission engines with ACERT clean-diesel technology that also improves fuel efficiency.

Caterpillar’s product range is immense. From a small 47-horsepower skid steer to an 850-horsepower tractor and a massive 3,370-horsepower mining truck, the firm develops products that serve each market and region’s specific needs. In China, for example, a market critical to its future, Caterpillar has divided its product strategy into three segments: World Class, Mid-Tier, and Low-End. The company is focused on innovating high-tech machinery for the growing World Class segment and leaving the Low-End segment to local competitors that will eventually be consolidated.

Another reason for Caterpillar’s dominance is its business model. The company sells it all: machines, services, and support for a wide range of industries. It accomplishes this feat through its extensive Global Dealer Network—specially trained independent CAT dealers who provide services on a local basis, giving the global company a personal feel despite its size.

Feeling local is important considering that 56 percent of Caterpillar’s business comes from overseas, making it one of the United States’ biggest exporters. The company has been a leader in building roads, bridges, highways, and airports all over the world. In developing cities like Antamin, Peru, for example, which is abundant in copper, large mining companies spend hundreds of millions of dollars on CAT machinery and services each year. As many as 50 different kinds of CAT bulldozers, front loaders, excavators, and special mining trucks help clear roads, clean up spills, and dig for copper. These massive trucks are all manufactured in Decatur, Illinois, shipped in pieces, and assembled at the job site.

Caterpillar maintains more than 500 production facilities and retailer locations in 180 countries and saw sales hit $55.7 billion in 2013. Deere & Co. and Komatsu are its closest competitors, each with about half its sales. As the company moves forward, it remains focused on providing customers with the best products, the best service, and the best value proposition.

**Marketing Excellence The Ritz-Carlton**

Few brands attain such a high standard of customer service as the Ritz-Carlton. This luxury hotel chain began with the original Ritz-Carlton Boston, which revolutionized the way U.S. travelers experienced customer service in a hotel. It was the first of its kind to provide a private bath in each guest room, fresh flowers throughout the hotel, and an entire staff dressed in formal white tie, black tie, or morning-coat attire.

In 1983, hotelier Horst Schulze and a four-person development team acquired the rights to the Ritz-Carlton name and created the concept by which it is known today, with its company-wide concentration on both the personal and the functional side of service. The five-star hotel provides impeccable facilities but also takes customer service extremely seriously. Its credo is “We are Ladies and Gentlemen serving Ladies and Gentlemen.” According to the company’s Web site, The Ritz-Carlton “pledge(s) to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience.”

The Ritz-Carlton fulfills this promise by providing impeccable training for its employees and executing its Three Steps of Service and 12 Service Values. The Three Steps of Service state that employees must use a warm and sincere greeting always using the guest’s name, anticipate and fulfill each guest’s needs, and give a warm good-bye, again using the guest’s name. Every manager carries a laminated card with the 12 Service Values, which include bullets such as number 3: “I am empowered to create unique, memorable and personal experiences for our guests,” and number 10: “I am proud of my professional appearance, language and behavior.” Simon Cooper, president and chief operating officer, explained, “It’s all about people. Nobody has an emotional experience with a thing. We’re appealing to emotions.” The Ritz-Carlton’s 35,000 employees in 29 countries go out of their way to create unique and memorable experiences for their guests.

Not only is the company known for training its employees to provide impeccable customer service, but it also reinforces its mission and values with them on a daily basis. Each day, managers gather their employees for a 15-minute “line up” to check in, resolve any impending problems, and read and discuss what The Ritz-Carlton calls “wow stories.” These true stories, read to every employee around the world, recognize an individual employee for his or her outstanding customer service and also highlight one of the 12 Service Values.

One family staying at The Ritz-Carlton, Bali, needed a particular type of egg and milk for their son who suffered from food allergies. Employees could not find the appropriate items in town, but the executive chef at the hotel remembered a store in Singapore that sold them. He contacted his mother-in-law, who purchased the items and personally flew them more than 1,000 miles to Bali for the family. This example showcased Service Value 6: “I own and immediately resolve guests’ problems.”

In another instance, a waiter overheard a man telling his wheelchair-bound wife that it was too bad he couldn’t get her down to the beach. The waiter told the maintenance crew, and by the next day they had constructed a wooden walkway to the beach and pitched a tent at the far end where the couple had dinner.

Wow stories can also be as simple as an employee’s remembering how a guest prefers coffee and then preparing it that way without asking for the rest of his or her stay. According to Cooper, the daily wow story is “the best way to communicate what we expect from our ladies and gentlemen around the world. Every story reinforces the actions we are looking for and demonstrates how each and every person in our organization contributes to our service values.” Each employee is empowered to spend as much as $2,000 without management approval to help deliver a guest’s anticipated need or desire, supporting the company’s intention to build lifelong positive relationships with each customer.

Ritz-Carlton measures the success of its customer service efforts through Gallup phone interviews, which ask both functional and emotional questions. Functional questions include: “How was the meal?” or “Was your bedroom clean?” while emotional questions reveal the customer’s sense of well-being. The hotel uses these findings as well as day-to-day experiences to continually enhance and improve the experience for its guests.

In less than three decades, Ritz-Carlton has grown from one U.S. location to 87 in 29 countries; the company plans to expand further throughout Europe, Africa, Asia, the Middle East, and the Americas. It has also earned two Malcolm Baldrige Quality Awards—the only company ever to win the prestigious award twice.