

Case 2

Distribution and pricing optimization to increase TO with a consumer-centric portfolio redesign and vast bottom-line savings in the Multipurpose category



The Overview

Household Cleaning

Brazil Household Cleaning is a business with 8% GM with five categories: Creams (35%), Specialists (20%), Multipurpose (11%), Chlorine (11%) and others (23%). The focus was Creams (52% market share) and Multipurpose (3% market share).

The Challenge

Top Line

- Multipurpose has high household penetration of 71%, Unilever has only 5,5% penetration, market is dominated by Veja (Reckitt; 31% mkt share)
- Creams has low household penetration (19%), consumers are not aware of the segment and its benefits
- Brazil is a very price sensitive market

Bottom Line

- Multipurpose has a low GM of only 8%, higher profitability is required to continue the category in the future
- Creams has high manufacturing costs due to 3rd party manufacturing

Focus Areas

TTS³ & Distribution

- Distribution recommendations to grow Creams business to boost penetration and total category GM⁷
- Build of pricing model to identify the right price for Multipurpose and Creams

Portfolio

- Complete portfolio redesign of Multipurpose

Manufacturing & Sourcing

- Make vs Buy study Creams

Multipurpose Margin Improvement

- Multipurpose P&L simulation of all cost buckets to increase profitability (target 20% vs 8% now)

The Outcome

Creams

iGP ¹	+18%
iTO ²	+ 15%
GM² Improvement (bps⁴)	+290NRA +110RA

Multipurpose

iGP ¹	+183%
iTO ²	+18%
GM⁷ Improvement (bps⁴)	+1050 NRA ⁵ +760 RA ⁶

1) iGP: incremental gross profit 2) iTO: Incremental Turnover 3) TTS: Trade Term Spending 4) bps: base points 5) NRA: Non-Risk adjusted 6) RA: Risk Adjusted 7) GM: Gross Margin