

PROCTER & GAMBLE: RECALL OF OLD SPICE DEODORANTS¹

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In November 2021, Procter & Gamble Company (P&G), a multinational consumer goods corporation headquartered in Cincinnati, Ohio, announced the recall of more than a dozen ranges of Old Spice and Secret-branded aerosol deodorants and sprays. The recall was due to the potential presence of benzene in these products (see Exhibit 1), and the recall notice stated that although there was possible product exposure to benzene, a cancer-causing agent, the benzene levels were not hazardous enough to harm people using the products. The company emphasized that they had not yet received “any reports of adverse events,” but they believed it was prudent to take this recall step out of “an abundance of caution.”² The notice specified that benzene exposure could occur through inhalation, orally, and through the skin and cause life-threatening blood disorders and blood and bone marrow cancers, including leukemia. Having sold the products through stores across the US and online, P&G asked buyers of the exposed items to discard them and accept the full refund on offer. The company also asked the retailers to dispose of the products.³

The announcement came after a US Food and Drug Administration (FDA) citizen petition was filed on the presence of benzene in several brands and batches of antiperspirant body sprays. Valisure, a private pharmaceutical company that had tested 108 batches from thirty different brands, found that 54 per cent contained detectable benzene—some with nine times the two-parts-per-million emergency FDA limit. Of these brands, Old Spice body sprays had the highest contamination levels.⁴

Considering that product recalls come at a cost and involve various phases, how would the recall impact P&G's brand value? Moreover, P&G's deodorant sales in the US had grown by only 4 per cent in the first two quarters of 2021 over 2020 (see Exhibit 2).⁵ In this scenario, there was a large chance of a slump in consumer confidence in P&G's deodorant brands and of competitors capitalizing on this opportunity by targeting the company. With these factors threatening to have a negative impact on the company's market share, brand image, and internal and external stakeholders' trust, P&G needed to ascertain whether the recall was the right move under the circumstances. Since Old Spice, Secret, and other P&G products had worldwide presence and appeal, how could P&G counter the recall consequences to sustain the brand's image of providing superior products and avoid a big profit loss?

PROCTER & GAMBLE COMPANY

Products

P&G was formed in 1837. The company introduced Ivory soap in 1879, Crisco shortening in 1911, Tide laundry detergent in 1946, and Joy, the first liquid synthetic detergent, in 1949. By the end of the twentieth century, P&G had become a multiproduct company with brands in multiple segments, including health and wellness (Crest, Oral-B, and Scope) and personal health care products (Prilosec OTC, Pepto-Bismol, and Vicks) within the health and wellness segment; detergents and cleaning products (Ariel, Tide, Gain, Downy, Dawn, and Swiffer), air fresheners (Febreze and Ambipur), coffee, snack foods, and paper towels (Bounty and Charmin) within the house and home segment; soaps (Ivory), cosmetics, shaving supplies (Braun, Gillette, and Old Spice), hair care (Head & Shoulders and Pantene), hair colour, fragrances, and deodorants (Old Spice and Secret) within the personal-care and beauty segment; diapers and tissues (Pampers, Luvs, and Puffs), cleansing products, and moisturizers within the baby and family segment; and pet care (pet foods).⁶

Performance

For the year ending June 2021, P&G International reported sales of \$76.1 billion with an operating income of \$18 billion.⁷ As much as 47 per cent of its revenue came from North America (including the US, Canada, and Puerto Rico) and 22 per cent from Europe (see Exhibit 3). The fabric home care segment accounted for 34 per cent of net sales, followed by the baby, feminine, and family care segment with 25 per cent and the beauty segment with 19 per cent (see Exhibit 4). In terms of net earnings, the fabric and home care segment represented 31 per cent, followed by baby, feminine, and family care with 25 per cent, and the beauty segment generated 22 per cent (see Exhibit 5).

Proposition

To win and retain customers, gain a competitive advantage, and drive market growth, in 2017 P&G launched the superiority initiative to raise the standard of excellence and set a higher bar for its products so that consumers would see them as more desirable than other brands and offerings. The company's goal was to maintain superiority across five vectors: (1) the product, (2) packaging, (3) brand communication, (4) retail execution, and (5) consumer and customer value. They felt that maintaining superiority in at least four of these five elements would guarantee category growth, household penetration, market share, sales, profitable growth, and business for the company's retail partners.⁸

NORTH AMERICAN DEODORANTS MARKET

The North American deodorant market, valued at US\$5.66 billion in 2020, was driven by intense rivalry between global players such as P&G, Unilever, Henkel, Colgate-Palmolive, and Revlon. The market was estimated to grow at a compound annual growth rate of 4.31 per cent from 2021 to 2026. The COVID-19 restrictions and lockdowns in 2020 led to a slump in consumer purchase of deodorants, leading to price cuts to clear out excess stocks. At the same time, consumer awareness of hygiene, the presence of global vendors, the introduction of more fragrances in various formats, an influx of male grooming products, and heightened demand for antiperspirants were all expected to drive the growth of the deodorants market in the region. The percentage of North American consumers with knowledge about the ingredients in deodorants had increased, and they chose brands based on natural formulations. However, price and affordability were still critical purchase factors. In 2021, Old Spice, Dove, Secret, AXE, Adidas, and Suave were among the leading brands in the region.⁹

Old Spice

Founded in 1934 by William Lightfoot Schultz, the Shulton Company manufactured Old Spice products. In 1937, the company introduced their first Old Spice product, a fragrance named Early American Old Spice for women. The next year, they launched Old Spice products for men, which initially consisted largely of shaving soap and aftershave lotion. Schultz maintained a colonial framework and nautical theme for Early American Old Spice products, using colonial sailing ships as a trademark. Following P&G's purchase of Old Spice from the Shulton Company in 1990, in 1992 the logo for the fragrance bottles changed to feature a sailboat/yacht instead of the former clipper ship. Since then, P&G expanded the Old Spice brand to include deodorant sticks, body washes, and body sprays.¹⁰ In 2021, the Old Spice product range included antiperspirants, deodorants, body wash, and hair- and beard-care products.¹¹

Dove

Dove was a shower and body-care cosmetics brand launched by Unilever in the US in 1955.¹² By 2020, brand recognition for the Dove soap bar had become so high that Unilever pitched it as the number-one dermatologist-recommended brand in the US, Canada, and France, and a brand "strongly endorsed" by dermatologists worldwide.¹³ As part of its sustainability initiative and efforts to counter the global plastic-waste crisis, in January 2021 Dove introduced refillable deodorants, which used around 54 per cent less plastic than regular Dove Zero stick packaging. Of the plastic used, 98 per cent was made from recycled content. The company intended to reduce this further as material innovation allowed.¹⁴ In 2021, the Dove men's deodorant range included men's spray deodorant, men's roll-on deodorant, and men's stick deodorant.¹⁵

Secret

P&G introduced Secret Ice Blue roll-on deodorant for women in 1958. In 1964, the company introduced Secret Super Spray, and in 1969 they launched Secret Antiperspirant Spray. In the 1990s, they launched Ultra Dry and Sheer Dry, and in 2012 they introduced Secret Outlast, which offered forty-eight-hour odour protection.¹⁶ By 2021, the Secret brand included a range of antiperspirants and deodorants for women.¹⁷

AXE

Unilever launched AXE in France in 1983, and more than a decade later in 2002 they launched it in the US market. Continuing to focus on personal-care products for men, in 2004 Unilever launched a line of antiperspirant and deodorant sticks, expanding into shower gels in 2005, a line of haircare products in 2009, and face-care products in 2013. In 2015, the company introduced the AXE White Label range.¹⁸ By 2021, the AXE range included body sprays, deodorants, body washes, bars, antiperspirants haircare and hairstyling products for men.¹⁹

Adidas

Adidas AG launched Adidas Dynamic Pulse in 1997 and added Adidas Moves to their range in 1999. In 2000, the company launched Adidas Team Force, which won the fragrance-industry Oscar equivalent, the FiFi award, that year.²⁰ By 2021, Adidas had a range of deodorants and antiperspirants.²¹

Suave

The National Mineral Company launched Suave as a hair tonic for men in 1937. The company was later purchased by Helene Curtis Industries, which were themselves acquired by Unilever in 1996. Suave had an affordable personal-care product portfolio that included shampoos, conditioners, body washes, lotions, deodorants, and hairstyling products.²² In 2016, Unilever introduced the Suave Coconut Kiss antiperspirant/deodorant.²³ By 2021, Suave had a range of deodorants and antiperspirants for women.²⁴

OLD SPICE RECALL PROCESS

In November 2021, P&G requested that retailers remove the recalled benzene-exposed range of products from their shelves and offered to reimburse customers who had purchased these products. The company advised customers to stop using and discard the exposed products.²⁵ In addition, P&G invited customers to seek more information regarding the recall by phoning the consumer care team Mondays through Fridays from 9 a.m. to 6 p.m. Eastern Standard Time or from the Old Spice and Secret brand websites. The company also urged consumers to contact their physicians or health-care providers if they experienced problems possibly related to using these products, and they asked consumers to report adverse reactions or product quality problems to the FDA's MedWatch Adverse Event Reporting program.²⁶

IMPACT OF PRODUCT RECALLS

Product recalls resulted in severe consequences for companies, including substantial financial penalties, the financial costs of the product recalls themselves, damaged reputations, loss of customer loyalty, unwelcome media attention, and even the death of a specific business or a brand. Moreover, consumers expressing dissatisfaction across social media platforms led to lasting brand damage, forcing many to change brands or abandon the brands completely. According to a consumer research survey by Harris Interactive, after a recall 55 per cent of people were likely to switch brands, temporarily or permanently; 15 per cent would never buy the recalled product again; and 21 per cent would no longer purchase any products that the recalling company manufactured.²⁷ Besides harming the company's relationships with customers, the recall was also likely to impact their association with their supply chain partners, such as retailers tasked with collecting the recalled product from customers.

In addition, these recalled products could also pose health problems for consumers. P&G announced the recall of more than a dozen varieties of Old Spice and Secret deodorants after benzene was detected in them.²⁸ Exposure to benzene could result in leukemia, blood cancer of the bone marrow, and other life-threatening blood disorders, although P&G stated, "Daily exposure to benzene in the recalled products at the levels detected in our testing would not be expected to cause adverse health consequences." Isabel Brown, consumer watchdog associate at advocacy organization US Public Interest Research Group said, "These are products that people use every day, and the health risks increase with prolonged use. Whether it's an ingredient that the manufacturer adds or not, the fact is that a known carcinogen keeps showing up in aerosol products. This can't happen again."²⁹

Costly recalls in the 2010s included Toyota's \$3.2 billion floor mat recall in 2010, Pfizer's \$3.3 billion Bextra recall in 2005, General Motors' \$4.1 billion ignition switch recall in 2014, Volkswagen's \$18.3 billion diesel engine recall in 2015, and Samsung's \$5.3 billion Galaxy Note 7 recall in 2016.³⁰

CONCLUSION

Awareness among North American consumers had increased substantially over the past decade, with more buyers being knowledgeable about the ingredients in deodorants. This led them to choose deodorant brands based on their natural formulations as well as their price and affordability.³¹ The revelation about the presence of benzene in some P&G products threatened to fill customers with doubts regarding other P&G products and provide competitors with ammunition to take on P&G in the market.

The product recall was likely to impact the company's image, tarnish brand reputation, affect customer loyalty, result in legal action, and lead to losses from unsaleable products.³² Considering that P&G's 2021 growth over 2020 was just 4 per cent for their deodorant range, the product recall could have a big impact on their deodorant sales revenue figures in 2022. P&G needed a marketing strategy for the Old Spice brand that would keep their brand value untarnished despite the recall. Should the company carry out a phased recall, with unique objectives for each phase? Should they retain Old Spice's brand image and position it for sustainable competitive advantage? How could P&G use their superiority proposition in their marketing communications throughout the recall process, especially for their direct marketing and public relations?

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EXHIBIT 1: RECALLED RANGE OF PRODUCTS FORM P&G

UPC	Description
012044001912	Old Spice High Endurance AP Spray Pure Sport 12/6oz
012044044759	Old Spice Hardest Working Collection Inv Spray Stronger Swagger 3.8oz
037000729747	Old Spice Hardest Working Collection Inv Spray Pure Sport Plus 12/3.8oz
037000730347	Old Spice Hardest Working Collection Inv Spray Stronger Swagger 12/3.8oz
037000749479	Old Spice Hardest Working Collection Inv Spray Ult Captain 12/3.8oz
037000695714	Old Spice Below Deck Powder Spray Unscented 12/4.9oz
037000695707	Old Spice Below Deck Powder Spray Fresh Air 12/4.9oz
037000586906	Secret Aerosol Powder Fresh Twin Pack
037000711087	Secret Aerosol Powder Fresh 12/6oz
037000711094	Secret Aerosol Powder Fresh 12/4oz
037000723721	Secret Fresh Collection Inv Spray Waterlily 3.8oz
037000729860	Secret Fresh Collection Inv Spray Lavender 12/3.8oz
037000729914	Secret Fresh Collection Inv Spray Waterlily 12/3.8oz
037000729921	Secret Fresh Collection Inv Spray Light Essentials 12/3.8oz
037000798842	Secret Fresh Collection Inv Spray Rose 12/3.8oz
037000747642	Secret Outlast Inv Spray Completely Clean 12/3.8oz
037000747727	Secret Outlast Inv Spray Protecting Powder 12/3.8oz
012044048535	Old Spice Pure Sport 2021 Gift Set

Source: US Food and Drug Administration (FDA), "P&G Issues Voluntary Recall of Specific Old Spice and Secret Aerosol Spray Antiperspirants and Old Spice Below Deck Aerosol Spray Products Due to Detection of Benzene," Company Announcement, November 23, 2021, accessed on January 18, 2022, <https://www.fda.gov/safety/recalls-market-withdrawals-safety-alerts/pg-issues-voluntary-recall-specific-old-spice-and-secret-aerosol-spray-antiperspirants-and-old-spice>.

EXHIBIT 2: SALES GROWTH OF THE LEADING US DEODORANT VENDORS IN 2021

Company	Growth (%)
Native	46.8
P&G	4
Unilever	1.7
The Dial Corp.	-7.2
Colgate-Palmolive	-17.5

Source: Dominique Petrucci, "Sales Growth of the Leading Deodorant Vendors in the United States in 2021," Statista, May 3, 2022, accessed on June 18, 2022, <https://www.statista.com/statistics/194806/us-sales-growth-of-deodorant-vendors-in-2013/>.

EXHIBIT 3: P&G'S 2021 NET SALES BY GEOGRAPHIC REGION

Region	% of Sales
North America	47
Europe	22
Greater China	10
Asia Pacific	9
Latin America	6
India, Middle East, and Africa	6

Note: North America includes the US, Canada, and Puerto Rico.

Source: Procter & Gamble Investor Relations, 2021 Annual Report, accessed on November 28, 2022, https://s1.q4cdn.com/695946674/files/doc_downloads/2021/08/PG_2021_Annual_Report.pdf.

EXHIBIT 4: P&G'S 2021 NET SALES BY BUSINESS SEGMENT

Segment	Major Brands	% of Sales
Fabric & Home Care	Ariel, Downy, Gain, Tide, Dawn, Fairy, Febreze, Mr. Clean, Swiffer	34
Baby, Feminine & Family Care	Luvs, Pampers, Always, Tampax, Bounty, Charmin, Puffs	25
Beauty	Head & Shoulders, Pantene, Rejoice, Olay, Old Spice, Safeguard, Secret	19
Health Care	Crest, Oral-B, Neurobion, Pepto-Bismol, Vicks	13
Grooming	Braun, Gillette, Venus	

Note: These results exclude net sales in Corporate.

Source: Procter & Gamble Investor Relations, 2021 Annual Report, accessed on November 28, 2022, https://s1.q4cdn.com/695946674/files/doc_downloads/2021/08/PG_2021_Annual_Report.pdf.

EXHIBIT 5: P&G'S 2021 NET EARNINGS BY BUSINESS SEGMENT

Segment	% of Net Earnings
Fabric & Home Care	31
Baby, Feminine & Family Care	25
Beauty	22
Health Care	12
Grooming	10

Note: These results exclude net sales in Corporate.

Source: Procter & Gamble Investor Relations, 2021 Annual Report, accessed on November 28, 2022, https://s1.q4cdn.com/695946674/files/doc_downloads/2021/08/PG_2021_Annual_Report.pdf.

ENDNOTES

¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Procter & Gamble Company or any of its employees.

² Jackie Wattles, "Some Old Spice and Secret Deodorants Recalled after Cancer-Causing Chemical is Detected," CNN Business, November 26, 2021, accessed on January 18, 2022, <https://edition.cnn.com/2021/11/26/business/old-spice-secret-deodorant-recall-benzene/index.html>.

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⁶ *Encyclopedia Britannica Online*, s.v. "Procter & Gamble Company," updated December 24, 2021, accessed on June 26, 2022, <https://www.britannica.com/topic/Procter-and-Gamble-Company>; Procter & Gamble USA, "Brands," accessed on June 26, 2022, <https://us.pg.com/brands/>.

⁷ All dollar amounts are in US\$ unless otherwise stated.

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²⁰ The FiFi Awards are an annual event that honors the fragrance industry's creative achievements. See "Adidas Designer History," Perfume.net, accessed on June 9, 2022, <http://www.perfume.net/designer/adidas>.

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