

A Tough New Product Decision

Gillette has long been the leader in the razor market. However, to maintain their position they have had to make some tough decisions along the way. Review the following situation - if you were the CEO, would you have made the same decision?

About Gillette's New Product Decision

Gillette has always prided their firm on razor technology innovation. Therefore, it was no surprise two decades ago when the CEO approved the development of a new razor (which would later become the Mach 3 - the world's first three-blade razor). However, it was the circumstances surrounding this product that makes this decision so extraordinary, which included:

- The concept of the product researched poorly - with consumers unable to perceive any real extra value of a three-blade (versus the existing two-blade) razor
- Gillette's head of manufacturing was unsure whether the razor could be produced (as the design was precise and included a new metal that had never been used in razors before). Therefore, he could not say how long it would take to set up the manufacturing process or how much it would cost (it eventually took three years at a cost of almost \$1 billion)
- A pricing expert at Harvard University stated that a disposal razor would never sell in the market at the price Gillette was planning to charge
- Many managers in Gillette recommended the company upgrade its existing product instead (their two-blade Sensor Excel was the market leader in most countries). They perceived the advantages of upgrading the Sensor Excel being it avoided using the new metal (that was delaying the manufacturing), it could be introduced sooner, and it did not require the building of a new brand.

Student Discussion Questions

1. As highlighted above, what were the positive and negative indicators in terms of developing and launching the product?
2. Do you think that most other firms would have made the decision to proceed with this product, given the information in the case above?
3. If Gillette were not the leader in the market, would they have made the same decision?
4. Other than the cost of development and launch, what other risks were involved with the launch of the Mach 3?