CASE 2

Warner-Lambert's Strategic Plan[†]

Warner-Lambert markets products in three industry segments: pharmaceutical (prescription and over-the-counter), consumer health care, and confectionery. The first two segments are roughly equal, each with about 40 per cent of total revenues; confectionery items account for 20 per cent of overall revenues.

Many Warner-Lambert products are among the market-share leaders in their category. The firm's best-known brands include Halls cough tablets, Listerine mouthwash, Rolaids antacid, Certs breath mints, Sugar Babies candies, Trident and Dentyne chewing gum, Schick razors, and Tetra aquarium supplies.

Warner-Lambert's overall marketing objectives are keyed to keeping its current market-leadership positions, managing key brands so they will improve their market shares even further, and gaining other market leaders. The firm is strongly committed to sales growth, a global emphasis, the introduction of new products, and its three-industry-segment approach.

Warner-Lambert views its market opportunities on a global (not national or regional) basis. Nearly one-half of its annual sales are outside the United States. The company has operations in more than 130 countries and is the leading producer of over-the-counter health-care products in many geographic regions. For example, Warner-Lambert was responsible for creating the demand for mouthwash in Japan by introducing Listerine. It now has a 34 per cent market share there.

The firm recognizes the importance of new products in increasing sales and profits. Thus, it has invested large sums in research and development, with annual expenditures for new pharmaceutical and consumer products totaling about $425 million (an amount equaling 8 per cent of total sales). The firm's practice is to selectively invest in areas that have the greatest medical and commercial potential. These encompass such illnesses as diabetes, heart disease, bacterial infection, and cancer. Among the new products the company has introduced in recent years are the Nicotrol nicotine patch (a prescription drug), Soothers throat drops, the Schick Tracer razor system, Lubriderm skin products, Dentyne Cinn-A-Burst gum, and Cool Mint Listerine.

The company's three-industry-segment approach has advantages due to the diversification (spreading revenues among more product lines), distribution economies (pharmaceutical, consumer health care, and confectionery products are often sold via the same channels), and protection against economic downturns. In the 1990–1992 recession, Warner-Lambert was able to post strong companywide sales increases due to the substantial growth in pharmaceutical sales. At the same time, sales of its consumer health care and confectionery products increased only marginally.

In its planning, Warner-Lambert is addressing several threats. These include the loss of patent protection on key products, the uncertainty of government approval for new prescription drugs, and the increased competition in many of its mature consumer health care and confectionery products.

Until now, the firm's greatest commercial success among its prescription drugs has been Lopid, a cholesterol-lowering drug that was introduced in 1981. However, in January 1993, the U.S. patent protection on Lopid expired, opening the market to less expensive generics. As a result, the sales and profits of Lopid will certainly decrease dramatically from their patent-protected level of $450 million per year.

Warner-Lambert has been aggressively seeking the approval of the U.S. Food and Drug Administration (FDA) for Cognex, the first drug to treat Alzheimer's disease. However, the market introduction of Cognex has been delayed by the FDA's request for additional product testing as to its safety and efficacy.

The firm's best-selling consumer health care and confectionery products are typically in mature markets, with slow growth and high competition. Profit margins in some of these businesses are 20 per cent—compared to 36 per cent in Warner-Lambert's drug businesses.

QUESTIONS

1. Evaluate the situation in which Warner-Lambert now finds itself.
2. How could the Boston Consulting Group matrix be used in identifying possible strategies for Warner-Lambert?
3. Apply the Porter generic strategic model to Warner-Lambert.
4. Present several suggestions as to how Warner-Lambert could evaluate its performance.

VIDEO QUESTIONS ON WARNER-LAMBERT

1. Discuss Warner-Lambert's global strategy.
2. Comment on the success of Listerine mouthwash.

[†] The data in this case are drawn from Gary Hoover, Alta Campbell, and Patrick J. Spain (Editors), *Hoover's Handbook of American Business 1993* (Austin, Texas: Reference Press, 1993), p. 561; Joseph Weber, "Curing Warner-Lambert—Before It Gets Sick," *Business Week* (December 9, 1991), pp. 91, 94; and *Warner-Lambert 1991 Annual Report.*

FIGURE The Basic Marketing Environment