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Philadelphia Cream Cheese

EXECUTIVE SUMMARY

The Philadelphia Cream Cheese business was built on the classic silver-packaged brick, and Philly's hallmark was cheesecakes. But by 1994, consumers were aware of healthy eating, more concerned about fat in their diets, and more pressed for time. This meant fewer cheesecakes. But they weren't moving away from cream cheese. In fact, they were buying the soft, spreadable form more than ever.

Philly was market leader in the Brick and Soft segments – and like the market, Philly's volume was skewed to Brick. But Brick was in gentle decline, while Soft was accelerating. We decided to capitalize on the market trends, and support Philly Soft aggressively.

As with many food products, Philly has a range of variants, and we had to decide where to focus the new advertising. Historically, we had been supporting the silver brick via cheesecake recipes. We had last advertised Regular Soft Philly in 1989 – and more recently had launched other soft formats; such as light, and fruit flavoured. We decided to support Regular Soft Philly. Our judgment was that the credentials of the 'mother brand' would halo over to the light and flavoured variants – and results would vividly bear this out.

As market leader, our objective was to convince people to spread Soft Philly more often – in effect to grow the Soft segment. We were not trying to switch Brick usage to Soft because (a) many consumers had already made that change and (b) we were the Brick leader. To succeed, we needed to uncover what would motivate more spreading. Through focus groups, we discovered 'the Philly Moment'. Women loved the indulgence of anticipating, spreading and eating Philly – but they worried about the fat.

The 'Heaven' campaign solved this beautifully. It launched in November 1994, and in 1995 volume jumped 24%. In 1996, volume was up another 25%. And for 1997 through May volume was running 39% ahead of year-ago. Over the course of the campaign, cumulative volume almost doubled, and earnings more than doubled – and as a testament to the strengthening Brand Equity, we were able to take three price increases.

All the evidence for success points to the advertising, and 30 months after the launch the campaign is still working strongly.

SITUATION ANALYSIS

Cream cheese sells in hard brick and soft spreadable formats. Both have regular and light (reduced fat) entries. Brick is used as an ingredient, mainly in cheesecakes, and also as a spread. Soft is used as a spread. There are three national brands – Philly, Control Label and Beatrice – and several small regional brands. Philly was the market leader in Brick and Soft, and the only advertised brand. Philly's largest threat was Control Label.

In 1993, the market dynamics were changing. The market had been split close to 60/40 between Brick and Soft, but Brick was declining at 1% because people were making fewer cheesecakes. Soft was growing at 18%, because of increased spreading with the soft regular and soft light variants.

We faced the strategic question: where to invest.¹ Brick was the mainstay of our portfolio, but was in the declining segment. Philly Soft was smaller, but was at +14% in the growing segment (where Control Label was

also growing at +27%). For brick, the decline was caused by the trend to healthier eating; and we knew that a brand's advertising would not ordinarily reverse such a fundamental market shift. On the other hand, healthier eating was building the Soft segment. So we decided to ride the trend, and support Philly Soft.

Within Philly Soft, we then had to decide where to focus: on regular, light, or flavoured, or on some combination of them. We decided on Regular Soft. The thinking – later proved right by results – was that Regular was a 'gold standard' that would cast a halo over the other variants. (Note: this halo was advertising-driven. There were no product improvements.)

In advertising, Philly had seen reasonable (not heavy) support levels. Philly Brick had typically run cheesecake recipes in print. Regular Soft had last been supported in 1989; Soft Light in 1992; and Soft Fruit Flavours in 1993. In terms of business, Philly had 75% of the Soft market. So our objective was to build the market, rather than take share from Control Label:

To build Philly Soft volume by building the Soft segment; to increase spreading usage by current Soft users; and to increase category penetration.

STRATEGY AND EXECUTION

We assessed positionings in qualitative research with Soft users. They told us that eating Philly was an indulgence – the spreading, the anticipation, that first delicious savoury bite all added up to 'the Philly Moment'. Philly also had powerful brand equity. Women felt unfaithful when they bought something else. But we also hit a barrier:

Women felt guilty. Cream cheese had to be fattening. Not healthy. 'When it tastes so good, how can it be good for you' was a common sentiment. This we had to change.² We had a compelling product fact to work with: Soft Philly has 60% less fat than butter or margarine – and when consumers found this out, it struck home. But we had made similar claims before. In 1987-89, we had claimed half the calories of butter or margarine. When we launched Soft Light Philly, we claimed 45% less fat than Regular Soft, and 65% less fat than butter or margarine. We decided to blend the rational message – 60% less fat – with the indulgence message:^{3,4}

Promise: Indulgence you can eat every day.
Support: 60% less fat than butter or margarine
(and, fresh, delicious, rich, creamy taste.)

Strategy Research

Kraft uses an internationally recognized methodology to assess strategy (and later, creative). It suggested that the strategy would have moderate to low impact on business.

In fact, the score was half the 'high impact' standard. This led to a crucial judgment call – that the indulgence experience could not be optimally communicated via the research methodology. So despite the score, we moved to creative development. The pressure was on!

Creative

The creative idea is a spokes-angel. She lives in heaven and loves to indulge in Philly. The imagery of soft, fluffy clouds embodies the luxurious values of Philly and its smooth, creamy taste. Heaven also alludes to the purity and lightness of 'lower fat than you thought'. The angel looks traditional, but she has charming, endearing, all-too-human foibles. She's an angel that women can relate to. And she's the personification of the brand: sophisticated, flirtatious and approachable.

Over the 30 months of the case (November 94 - April 97) we aired five :30 commercials : 'Heaven'; 'Crumbs'; 'Empty'; 'Midnight Snack'; 'Cloud'. They all feature the angel enjoying her Philly Moment, with the 60% claim.⁵

Media

The objective was to establish awareness, and stimulate increased use of Philly Soft amongst current users. Reach, frequency and continuity were all priorities. We chose television :30s. Budget levels reflected the growth opportunity. For 1995, spending was +51% vs. year-ago. For 1996, it levelled off at +9%.

RESULTS

The campaign was an unprecedented success. In 1995, volume jumped 24%. In 1996, it was up another 25%. And for 1997 through May (the last data at the time of writing), volume was running 39% ahead of year-ago. This gave Philly Soft almost double the volume it had before 'Heaven' was launched. In addition, earnings more than doubled.

Against the objective of increasing usage and penetration: past-6-month Soft purchases were +14% in 1995, and another +10% in 1996. Penetration increased +15% in 1995, and another +12% in 1996 – Table 4.

ISOLATING ADVERTISING AS THE VARIABLE

Creative Impact

The research technique used on the strategy was also used to assess four of the five commercials. All tested very well for communication and impact on business. 'Crumbs' had an exceptional 263 index – Table 1. Note that the research had concluded that the strategy, at best, would only be moderately impactful (the 105 index) – reinforcing our judgment that we needed creative to bring the strategy to life.⁶

TABLE 1: 'IMPACT INDEX'

	Impact Index
'Heaven'	185
'Crumbs'	263
'Empty'	123
'Midnight Snack'	170
'Cloud'	not tested
Strategy	105

Source: Kraft Research

Marketplace Tracking

The creative impact translated through to the market. Results have been continuously tracked from launch through 1996. As shown in Table 2 and 3, advertising awareness jumped at launch, jumped again in 1995, and again in 1996. Results were also well above norm for 'Very Enjoyable to Watch' and 'Unique and Different' – measures that correlate to success in market.

TABLE 2: CONTINUOUS TRACKING (SOFT PHILLY)

% Change vs Yr. Ago	Launch	1995	1996
Unaided Ad Awareness	+19	+36	+3
Calimed TV Awareness	+11	+53	+11

Source: Kraft Continuous Tracking Source

TABLE 3: CONTINUOUS TRACKING (SOFT PHILLY)

Index vs Norms Commercials are:

Very enjoyable to watch	152
Unique and different	138

Source: Kraft Continuous Tracking Source

This same tracking also showed:

- 100% awareness of the Angel, with strong brand linkage, among those aware of the advertising
- Proven recall for the campaign at levels in the top 40% of the database
- Recall levels building faster and holding longer as a result of the Angel
- Continued positive shifts in awareness, preference and image

Purchase and Usage

The advertising impact correlated to gains in increased Soft usage, and increased penetration. Continuous tracking shows a steady build – Table 4

TABLE 4: CONTINUOUS TRACKING (SOFT PHILLY)

% Change vs Yr. Ago	Launch	1995	1996
Ever bought Philly	+5	+14	+4
Past 6 months	n/c	+14	+10
Past 4 weeks	n/c	+7	+4
Penetration	+2	+15	+12

Source: Kraft Continuous Tracking Source

Correlation with Advertised Flights

Throughout the campaign, 4-week consumption responded to advertised flights. Although not in perfect lockstep (which we would not expect) there is a definite correlation between advertising presence and consumption. ⁷

Market Mix Modeling

A proprietary study (a well-validated US-based model) was initiated seven months into the launch of 'Heaven'. One objective was to identify the drivers of incremental Philly volume: amongst merchandising, coupons, advertising etc. The study concluded that 'Heaven' was driving incremental volume for Soft, with a strong halo effect on Brick. Advertising efficiency exceeded that of most brands in the data base.

Other Influences

Formulation, packaging and distribution have not changed since 1993. Co-op and merchandising have increased as Philly has grown, but as a result of the growth, not a cause (validated by the Market Mix Model). Pricing has not been a factor. In fact, since the launch of the campaign, we have increased Philly's price three times.

Advertising Spending

As noted, the 'Heaven' campaign did get a 50% increase in media spending in its first full year, in line with the decision to aggressively support Soft. However, the momentum was sustained through 1996 when spending was only +9%.

It seems clear from all the data that it was the creative, rather than the spending level, that drove the business. Furthermore, the spending investment was handsomely rewarded, with profitability doubling.

CONCLUSION

This is an excellent case of a market leader facing change. It is never easy to divert investment from the largest segment of the business. But the Philly team accurately concluded that Brick was caught in a major consumer shift, and that they should focus on the new trend to Soft.⁸

The learning on 'plussing the strategy' (see also Chrysler) raises a broader question: can research accurately test strategy independent of the creative that will bring the strategy to life. Perhaps this should be debated more.

ENDNOTES

1. Deciding where to focus. See Molson Canadian, with very different market dynamics. In the 1993 innovation wars, Molson focused away from Canadian—their mainstay – and it lost market share. This was re-captured with the 'I AM' campaign, when Molson re-focused investment on Canadian.
2. Handling 'taste' versus 'nutrition' – a dilemma in food advertising.
3. Digging for Insight. Philly invents 'Indulgence without Guilt'!
4. Blending emotional and rational messages.
5. Evolving a long-running campaign. See Buckley's (similar commercials) and Dove (different commercials).
6. Plussing the Strategy. See Chrysler, where the fourth door shows a similar pattern.
7. Editor's note: the case supplied several detailed exhibits.
8. Dominion Stores, once the dominant supermarket chain in Canada and Ontario faced a similar dilemma. Through the early 80s, they rode high on their meat prowess ('Why do more Canadians shop at Dominion... mainly because of the meat'). Then Canadians started to worry about their arteries, and red meat went into decline. Meanwhile, Loblaws hit on fresh produce as a centrepiece of their major re-modelling and re-positioning. Dominion had many other problems, of course, but they never resolved how to deal with the 'red meat' issue. They have since been taken over by A&P.

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