



Chesebrough-Pond's Inc.: Vaseline Petroleum Jelly

Penny Pittman Merliss, research assistant, prepared this case under the direction of Assistant Professor John Quelch as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Certain names and data have been disguised.

On September 2, 1977, Mary Porter was appointed product manager for Vaseline petroleum jelly (VPJ) and given three weeks to prepare the 1978 budget for the brand.¹ To protect 1978 sales and profits she would have to develop a marketing plan that specified the level and nature of three types of marketing expenditures: advertising, consumer promotion, and trade promotion. Porter decided to begin by analyzing VPJ's marketing strategy over the previous five years, with particular emphasis on the nature, effectiveness, and profitability of its sales promotions.

Company Background

Vaseline petroleum jelly was the first product sold by the Chesebrough Manufacturing Company, founded by Robert Chesebrough in 1880. Chesebrough, who sold lamplighting oil, had frequently visited the oil fields of Pennsylvania, where he heard about a miraculous black jelly that formed on the rods of the oil pumps. He successfully duplicated this "rod wax" in his laboratory, lightened its color, and used a then unproven marketing technique—distribution of free samples—to introduce the product.

At the same time another entrepreneur, Theron Pond, distilled an improved kind of witch hazel from a native American shrub and sold it as a "pain-destroying and healing remedy." This product launched the Pond's Extract Company, which by the 1920s had become the leading U.S. marketer of popularly priced skin creams and cosmetics. Pond's also owed much of its early success to a marketing innovation: it was the first company to advertise with endorsements by socially prominent women.

1. Vaseline, Pond's, Cutex, Q-Tips, Intensive Care, Ragu, Health-Tex, Adolph's, and Prince Matchabelli are registered trademarks of Chesebrough-Pond's Inc.

In 1955 the two companies combined to form Chesebrough-Pond's Inc. (CPI), and Wall Street analysts hailed it "the marriage of the aristocrats." The new firm expanded through diversification. During the fiscal year which ended December 31, 1976, CPI's six divisions recorded after-tax profits of \$54 million on net sales of \$747 million.

The Health and Beauty Products (HBP) Division, which accounted for 22% of CPI's 1977 sales, marketed VPJ. Although HBP's 1976 sales of \$163 million were second only to those of the international division, HBP's five-year average growth rate of 9.3% was the second lowest among CPI's divisions. The HBP Division also marketed Cutex nail care products, Pond's creams, Q-Tips cotton swabs, and Vaseline Intensive Care moisturizing products.

The Market for Petroleum Jelly

Executives at HBP described petroleum jelly as "a household staple" used by over 90% of the population, but noted that both level and frequency of use varied substantially. A consumer survey indicated that heavy users were either women aged 45 years or older who viewed petroleum jelly as a multifunctional skin-care product or mothers who used petroleum jelly for baby care and did not consider it appropriate for their own skin care. Other results from this survey are reported in *Exhibit 1*.

Petroleum jelly sales to the consumer market at manufacturers' prices were estimated at \$25 million in 1976, of which Vaseline petroleum jelly claimed a 90% share. (VPJ was also sold to institutions—hospitals, other medical facilities, and some industrial buyers. Porter was not responsible for these sales.) Direct competitors with VPJ were private label petroleum jellies, which sold primarily in 16-oz. jars at prices 30% below VPJ's through mass merchandisers such as K mart. The Vaseline product did not appear to be losing share to these private labels, none of which was manufactured by CPI. It also competed in the broader skin-care market with special purpose products, such as hand lotions and moisturizing creams.

Vaseline petroleum jelly was available in two forms, pure and carbolated; both were packaged in several sizes of jars and tubes. Carbolated VPJ was a specialized first aid product with an active ingredient. It was priced higher

than pure VPJ and distributed primarily through drugstores. It was almost never featured at a discount by the trade and was not advertised separately. For several years carbolated VPJ had accounted for a stable 7% of VPJ dollar sales to consumers.

Factory shipments of each size of pure VPJ from 1974 through 1977 are reported in *Exhibit 2*. More than half of VPJ's ounce volume was sold in the popular 3.75- and 7.50-oz. jars.

Distribution and Pricing

Vaseline petroleum jelly was distributed primarily through grocery, drug, and mass merchandise stores; these accounted for 85% of Vaseline's ounce volume. Sales through variety stores and other outlets accounted for the remainder. However, VPJ distribution varied by size among the major channels (as shown in *Exhibit 3*); the 15-oz. jar, for example, was sold primarily through drugstores and mass merchandisers. Distribution penetration was high for the brand as a whole; in 1977 VPJ was carried in at least one size by 92% of grocery stores and 96% of drugstores.

All HBP products were sold by the same 130-person sales force. Salespeople focused on "headquarter accounts" rather than individual retail outlets. At least once a month HBP salespeople visited buyers at the head offices of food, drug, variety store, and mass merchandising chains as well as buyers for wholesalers representing independent retailers in each class of trade. During 1976 chain purchases accounted for 45% of VPJ dollar sales to the consumer market.

Salespeople were compensated by a combination of salary and bonus based on achievement of volume quotas. Sales force management and HBP division executives negotiated quarterly volume quotas for each brand. In addition, they established a calendar of consumer and trade promotions for each brand, reflecting its need for sales force support and the number of promotion events the sales force could present to the trade at one time. Porter believed that the sales force viewed VPJ as a mature, unexciting brand which required frequent price promotions to stimulate trade interest. Salespeople often pressed for such promotions toward the end of each quarter to help achieve their quotas.

Table A Index of Bimonthly Measured Media Advertising for VPJ, 1974–1977

	1974	1975	1976	1977
January–February		83	78	113
March–April		64	103	92
May–June	100	36	39	102
July–August	108	114	128	97
September–October	49	100	132	
November–December	42	11	136	

Source: Company records

Note: (Base: May–June 1974 = 100.) Figures not adjusted for media cost inflation.

Prices for VPJ were approved by the division general manager, whose key aim was profit improvement. (*Exhibit 4* lists factory and suggested retail prices as of July 1977.) The suggested prices allowed retailers who purchased direct from CPI a 40% margin, but actual retail prices were often 10% lower, particularly in grocery stores and mass merchandise outlets. In 1974 escalating petroleum costs required price increases ranging from 37% on the 15-oz. size to 70% on the 1.75-oz. size. Annual price increases between 1975 and 1977 had added a further 18% to manufacturer prices. Variable manufacturing costs for VPJ were expected to rise by 5% in 1978.

Marketing Expenditures

The three principal areas of VPJ marketing expenditures were advertising, consumer promotion, and trade promotion. Sales force expenses were treated as division overhead and not allocated among brands. Brand budgets for VPJ from 1975 through 1977 are summarized in *Exhibit 5*.

Advertising

The primary objective of VPJ advertising through the 1970s was to increase sales by suggesting new product uses. Earlier brand advertising had concentrated almost exclusively on baby care, but in 1972 the message began to include VPJ's versatility as a skin-care product for adults and children (see *Exhibit 6*). Some HBP executives believed that VPJ advertising should present product uses beyond skin care; others thought that emphasizing VPJ's usefulness as a shoe-shining aid or hinge lubricant

might cause some consumers to stop using it for skin or baby care.

Bimonthly VPJ advertising expenditures showed substantial period-to-period fluctuations (see *Table A*). Porter believed these indicated a lack of sustained commitment to advertising as well as management's tendency to cut fourth-quarter advertising expenditures to meet annual profit targets.

Media selection showed greater consistency. Network television was the principal medium for VPJ advertising; print media were used primarily to announce VPJ consumer promotions. Both electronic and print media advertising rates rose on average 15% annually between 1974 and 1977.

Consumer Promotion

Historically, VPJ brand management had spent little money on consumer promotion. During 1973 only one consumer promotion (a 10-cent coupon) was run; in 1974, none occurred. In 1975, however, three events were run: a free glass jar packaged with the 7.5-oz. VPJ, a 10-cent cross-ruff coupon² packed in 2 million boxes of Procter & Gamble's Ivory Snow, and a 50-cent refund offer for two VPJ proofs of purchase.

1976 VPJ events. Consumer promotion expenditures continued to increase during 1976; that year marked four events, each coinciding with a promotion to the trade.

2. A cross-ruff coupon is carried either on or inside the package of a non-competitive brand. It is used when the target markets of the sponsor and carrier brands are similar.

1. *February*: A \$2 cash refund offer involving VPJ and four other HBP brands was announced in the February issues of *Family Circle* and *Ladies' Home Journal* and in full-page, four-color Sunday newspaper supplement advertisements on February 15 (see *Exhibit 7*). Consumers could also learn of the offer at the point of purchase through four-color riser cards for end-aisle and cut-case displays and shelf talkers including refund applications, which were shipped to retailers with each case of VPJ.³
2. *April*: To coincide with National Baby Week, one dollar's worth of coupons for five HBP brands used in baby care (including a 15-cent coupon for any size VPJ) were carried inside 4.65 million boxes of Kimbies disposable diapers. Coupons for Kimbies were carried by two participating HBP brands.
3. *June*: A shrink-wrapped twin pack of two 3.75-oz. jars of VPJ, with a label encouraging consumers to keep one jar in the kitchen and the other in the bathroom, was preticketed with a retail price of 99 cents. The pack also included a 50-cent refund offer for proofs of purchase from two 3.75-oz. jars. The twin pack was shipped only in cases of three dozen, to encourage the trade to feature it in special displays. (*Exhibit 8* shows merchandising flyer.)
4. *September*: An eight-page "programmed learning" advertisement was run in *Reader's Digest* (October 1976) to educate consumers about skin care and the uses of VPJ, Vaseline Intensive Care lotion, and Vaseline Intensive Care bath beads. The reader could answer a "skin test" on a mailable pop-up card which doubled as an entry to the Vaseline Soft-to-Touch sweepstakes. Sweepstakes prizes, such as fur coats and cashmere sweaters, all emphasized the soft-to-touch theme. The sweepstakes was an attention-getting overlay to a \$1.50 cash refund offer for a proof of purchase from each of the three participating brands. The offer was also advertised through riser cards and shelf talkers at the point of purchase (see *Exhibit 9*).

3. Riser cards are attention-getting signs placed above a special display. Cut-case displays are shipping cartons that could double as store display units when cut to shape by store personnel; these allow retailers to display a product without unpacking it. Shelf talkers are small signs attached to the front of the shelf on which the product is regularly stocked.

The principal costs to VPJ for these events are summarized in *Exhibit 10*. For multiple-brand promotions, costs were allocated according to each brand's share of coupon or proof-of-purchase redemptions.

1977 VPJ events. Consumer promotion expenditures for VPJ were cut by one-quarter in 1977; only three promotion events were implemented.

1. *February*: A Swiss Army multipurpose knife was offered as a self-liquidating premium⁴ on the labels of 7.5-oz. jars of VPJ. The knife, a \$21.00 retail value bought by CPI for \$10.00, was offered to consumers for \$10.50 plus one VPJ front label. The 50-cent difference between purchase and selling prices covered handling. Costs of \$18,000, however, were incurred for point-of-purchase display materials and 1,500 knives used as dealer loaders.⁵
2. *April*: A 25-cent coupon for large sizes of three HBP brands, including VPJ (15-oz.), was printed on packages of the 24-oz. size of Vaseline Intensive Care bath beads. To encourage multibrand displays at the point of purchase, a self-liquidating premium which doubled as a dealer loader was also offered and advertised in women's magazines. Because redemption of the on-pack coupons would be delayed until purchasers had used up the contents of the boxes, HBP managers believed an additional purchase incentive was necessary to stimulate special trade merchandising activity. Thus, in selected markets, a newspaper advertisement delivered 65 cents' worth of coupons on the three participating brands (including a 15-cent coupon toward a 15- or 12-oz. jar of VPJ). In other markets newspaper advertising featured a one dollar cash refund for proofs of purchase on two of the three brands.
3. *September*: A two-page advertisement in *Reader's Digest* (October 1977) and a similar advertisement in Sunday newspaper supplements delivered 50 cents' worth of coupons

4. A self-liquidating premium requires consumers to send cash as well as proof of purchase. The cash amount covers handling, mailing, and the cost of the premium, which is usually offered at 30% to 50% below normal retail price.

5. A dealer loader is a sample of a premium displayed at the point of purchase until the end of the promotion, when it usually becomes the property of the store or department manager.

on three Vaseline brands, including a 10-cent coupon for VPJ. These advertisements, along with riser cards and shelf talkers at the point of purchase, also announced a \$40,000 sweepstakes. To encourage potential entrants to find in-store Vaseline displays, the ads indicated that official entry forms and instructions were available at the point of purchase.

Future Considerations

After reviewing the consumer promotion history, Porter wondered how much latitude she would have in planning the 1978 VPJ consumer promotions. She thought division management would again wish to include VPJ in several multiple-brand promotions. She suspected, however, that these were of most benefit to the weaker participants and that her consumer promotion dollars might be better spent on events exclusive to VPJ.

Timing the promotions was another problem. Some HBP managers believed consumer promotions should coincide with trade promotions. Others thought they should be launched between trade promotions, arguing that promotions should be spread more evenly to avoid wide demand fluctuations, which hampered efficient production and inventory control.

Porter realized that she first had to define her objectives for consumer promotion. Some HBP executives favored it to stimulate short-term sales. Others argued that indiscriminate use of premiums, coupons, and sweepstakes further increased consumer price sensitivity and that consumer promotions were valuable only when they reinforced the brand's advertising image.

Trade Promotion

In general practice, trade promotions temporarily offered merchandise to the trade at a discount from the regular list price. Porter characterized how trade buyers usually responded to a manufacturer's limited-time trade promotion offer:

They weigh the financial incentive of buying an above-normal quantity of the product at a discount against the financing costs associated with the additional inventory. Of course, they can minimize these costs—and make the manufacturer happy—by accelerating the product's movement off the shelves.

To do this, they have to pass all or part of our incentive on to the consumer as a retail price cut. To achieve the greatest sales increases, they should feature the price cut in store advertising and set up a special in-store display.

Manufacturers used a variety of trade promotion allowances. Case allowances on products ordered during the promotion period offered either a reduction from list price on the invoice to the trade (for example, 10% off invoice) or free goods with a specified minimum purchase (for example, one case free with purchase of 10). Because manufacturers could not legally control retail prices, they had no assurance that case allowances would be fully or partially passed on to consumers as retail price reductions. (Many manufacturers, including CPI, sometimes permitted their trade accounts to take merchandise ordered during the promotion period in two shipments. Thus, the second shipment might arrive after the promotion and be sold at the manufacturer's regular suggested retail price.)

Additional merchandising allowances, also paid on a per-case basis, were sometimes offered. For example, a 10% allowance might be offered if the trade featured the product at a price discount in its consumer advertising. Or a special allowance might be offered to stores that set up end-aisle or off-shelf displays of prescribed size during the promotion period. Unlike off-invoice allowances,⁶ these were only paid after the manufacturer received evidence of performance, such as an affidavit, advertising tear sheet, or display photograph.

In addition to case and merchandising allowances, manufacturers sometimes offered a *base contract* to the trade, by which any account buying a minimum quantity of the product received a percentage discount. A 5% base contract discount was offered on all VPJ orders over \$75.

Past VPJ events. Given VPJ's dominance in its category, Porter was surprised to discover that over 70% of 1976 factory shipments were sold to the trade on promotion. The 1977 marketing plan outlined three objectives for VPJ trade promotion:

6. Off-invoice and free-goods allowances are deducted from the bill sent to the trade. Merchandising allowances are paid on a "bill back" basis by separate check.

1. Stimulate cut-price feature advertising and displays, especially on larger sizes.
2. Reinforce and expand distribution of larger sizes in all trade channels.
3. Limit erosion of distribution of smaller sizes.

Porter's Analysis

Porter summarized the terms and timing of VPJ trade promotions from late 1972 through mid-1977 (see *Exhibit 11*). She noted that a trade promotion had been offered on at least one size during every quarter of each year. Duration of the offers varied widely, with some lasting as long as 60 days (in contrast to most retailers, who featured brands through price advertising and special displays for one week only). With one exception, VPJ's trade promotions were national, not tailored to particular regional or city markets.⁷ Porter noted that the average level of trade promotion discounts seemed to have increased over the five years. In addition, she observed that since 1973 price increases often coincided with trade promotions, complicating evaluations of their impact.

Three questions came to Porter's mind as she reviewed the VPJ trade promotion history.

1. How extensive was inventory loading during the promotional period? Trade buyers, who could often predict the timing of a brand's trade promotion offers, could deliberately let inventory run down in anticipation of a promotion, buy heavily during the promotion period, then let orders drop again. This produced peaks and valleys in the flow of factory shipments and an artificial seasonality of demand. Porter had noted a fall-off in VPJ shipments before and after most promotions. Could HBP be selling at a discount VPJ volume that the trade would buy anyway to meet normal consumer demand?
2. Just how much merchandising support was VPJ receiving at the retail level? Comparative data on the extent of feature advertising for petroleum jelly and three other product categories, reported in *Exhibit 12*, suggested that the trade did not view VPJ as a traffic

7. By law, different trade promotion offers could be made at the same time in different market areas, but in any given market area an equivalent offer had to be made on a proportional basis to all competing retail outlets. Major supermarket and drug chains and mass merchandisers generally preferred that manufacturers offer the same trade promotion in all market areas.

builder. Further, most VPJ trade promotions involved case allowances. Should the proportion of performance-based allowances be increased, and, if so, could performance requirements be enforced?

3. How effective were across-the-line promotions? Traditionally, VPJ had used line promotions across all sizes to encourage retailers to stock more than one size. However, the company typically required retailers to feature only one size in a tiny "obituary" newspaper ad to take an advertising allowance on their purchases of all VPJ sizes.

Research Evidence

During 1976 VPJ factory shipments had increased 22% over 1975. Unit sales to consumers had risen 11%. During the first half of 1977, however, factory shipments and consumer sales were 11% and 2% lower than the equivalent 1976 figures. Some HBP executives suggested that heavy VPJ promotion during 1976 had overstocked the trade, the consumer, or both. To address this issue and the broader question of how much advertising, consumer promotion, and trade promotion expenditures each contributed to VPJ sales and profit performance, two research studies had been commissioned.

The first report, prepared by John Dennerlein, CPI's special projects manager, with the assistance of an independent consulting firm,⁸ estimated incremental sales and contribution generated by VPJ trade promotions over a five-year period. A series of computer models estimated what the normal monthly factory shipments of each VPJ size would have been without each trade promotion, and then compared these figures with actual shipments. Similarly, the contribution from actual sales at the promotion price could be compared with the contribution normal sales would have provided at full price. The calculations of incremental unit sales and contribution took account of lost sales at full price before and after, as well as during, each promotion period.

The results of Dennerlein's investigation are presented in *Exhibits 13* and *14*. *Exhibit 13* reports the net incremental contribution associated with each VPJ trade promotion from 1972 through June 1977, broken down by size. Dennerlein also plotted factory shipments, incre-

8. SPAR (Sales Promotion Analysis Reporting), a commercial service of Pan-Eval Data Inc.

mental unit sales, retail inventories, and consumer sales over time for each VPJ size. As an example, his chart for the 7.5-oz. VPJ is presented as *Exhibit 14*.

Dennerlein concluded that VPJ trade promotions were profitable and were "the major factor behind year-to-year changes in VPJ sales." He believed that VPJ trade promotions, especially when they coincided with consumer promotions, not only stimulated the trade to build inventories but also increased consumer sales. Dennerlein opposed any significant transfer of VPJ money from trade promotion to advertising.

A second study, conducted by the CPI market research department, measured the efficacy of VPJ advertising expenditures. It found weak correlations between quarterly VPJ advertising expenditures and factory shipments, retail inventories, and consumer sales. The researchers noted that consumer sales had declined during the first half of 1977, even though media advertising expenditures were almost 50% higher than during the equivalent period in 1976.

The Problem

These findings and the sales results of first-half 1977 had prompted HBP Division execu-

tives to reduce VPJ media advertising expenditures for the second half of 1977 to around \$700,000, compared with \$1.4 million during the same period in 1976. Porter opposed this cut. "If anything," she commented, "the 1976 promotion pumped so much VPJ into the pipeline that advertising ought to have been increased." She wanted to develop a 1978 television advertising campaign that stressed VPJ's versatility and to increase advertising expenditures at the expense of trade promotion. (Four finished commercial executions of a new television advertising campaign could be developed at an approximate cost of \$200,000.) She admitted, however, that "the HBP Division's traditional orientation toward push rather than pull marketing would make this proposal tough to sell." She also expected resistance from the HBP sales force and the trade.

As she began to plan the brand budget, Porter learned that the division had scheduled several significant new product launches for the second half of 1978. Profits from established brands such as VPJ would cover the substantial marketing expenses for these introductions. Accordingly, the HBP general manager informed Porter that her 1978 VPJ budget should show a profit, after advertising and promotion expenses, at least 10% greater than the current 1977 estimate of \$7.7 million.

Exhibit 1 Results of VPJ Consumer Survey

During March 1977 personal interviews were conducted with 500 female heads of households who qualified as users of petroleum jelly (on the basis of having used petroleum jelly during the previous month). Sixty percent of those approached qualified.

- 90% of petroleum jelly purchasers last bought VPJ. When asked to name a brand of petroleum jelly, 97% mentioned VPJ; 23% recalled recently seeing or hearing VPJ advertising.
 - 51% of heavy users were aged 18 to 34 years, and three-quarters of this group had a child under 4 years in their households. (Households using petroleum jelly at least once a day were considered heavy users; those using it less than twice a week were "light-using" households.)
 - Heavy users made on average six purchases of petroleum jelly per year, whereas light users made on average only one purchase per year.
 - 86% of respondents considered the size of petroleum jelly last bought their "regular" size. Heavy users were more likely than light users to purchase larger-size jars.
 - 35% of respondents reported making their last petroleum jelly purchase in a food store, 30% in a drugstore, and 30% in a mass merchandise or discount store. Light users (46%) and users from households with a child under 4 years (44%) were more likely to have made their purchases in food stores.
 - 33% of heavy users and 46% of light users could not recall the price paid for the last jar of petroleum jelly they purchased.
 - 70% of respondents agreed strongly with the statement "petroleum jelly is economical."
 - 20% of respondents reported having more than one jar of petroleum jelly in their households.
 - 86% of respondents stated that they kept a jar of petroleum jelly in the bathroom; 34% mentioned the bedroom, 6% mentioned the kitchen, and 2% mentioned the garage, basement, or workshop.
 - The average quantity of petroleum jelly applied varied significantly by use from 3.1 g (sunburn) and 2.1 g (baby use) to 0.3 g (removing makeup) and 0.1 g (chapped lips). Share of total usage occasions also varied by use: 1% (sunburn), 4% (baby use), and 12% (chapped lips).
 - The number of households using petroleum jelly was 15% lower in winter than summer. However, among user households, frequency of use was 25% higher in winter.
 - For all except household uses (such as preventing rust and lubricating hinges), both the incidence and frequency of use were higher among females than males.
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Source: Company records

Exhibit 2 Pure VPJ Factory Shipments by Size, 1974–1977 (thousands of dozens)

Size (oz.)	1974	1975	1976	1977 ^a
1.75 (jar)	1,069.5 (100) ^b	873.6 (82)	1,012.5 (95)	849.6 (79)
3.75 (jar)	997.7 (100)	973.2 (98)	1,137.5 (114)	1,116.1 (112)
7.50 (jar)	540.8 (100)	544.4 (101)	773.2 (143)	628.3 (116)
12.00 (jar)	216.7 (100)	186.3 (86)	192.7 (89)	157.5 (73)
15.00 (jar)	249.8 (100)	227.1 (91)	292.1 (117)	293.1 (117)
1.00 (tube)	114.2 (100)	104.3 (91)	120.2 (105)	106.7 (93)
3.75 (tube)	47.7 (100)	34.2 (72)	41.6 (88)	33.3 (70)
Total	3,236.4 (100)	2,943.1 (91)	3,569.8 (110)	3,184.6 (98)
Equivalent units ^c	543.6 (100)	504.5 (93)	626.9 (115)	562.3 (103)

Source: Company records

a. 1977 sales estimated as of July 31.

b. Numbers in parentheses are indices based on 1974 factory shipments by size (base = 100).

c. One equivalent unit = 3.6 million oz.

Exhibit 3 Pure VPJ Jar Sales Volume by Outlet Type, May–June 1977
(equivalent ounce basis)

Jar Size (oz.)	Outlet Type			Total
	Grocery	Drug	Mass Merchandiser	
1.75	6%	3%	0.2%	9%
3.75	18	7	2.0	28
7.50	16	8	5.0	29
12.00	8	3	2.0	13
15.00	5	11	6.0	21
Total	53%	32%	15.0%	100%

Source: Company records

Note: To be read, "Of the 85% of VPJ ounce sales through the three principal channels of distribution, 6% were 1.75-oz. jars sold through grocery stores."

Exhibit 4 Pure VPJ Price List, July 1977

Size (oz.)	Suggested Retail Price (SRP)	SRP per Ounce	Suggested Wholesale Price (SWP)	SWP per Ounce	Manufacturer's Selling Price (MSP)	MSP per Ounce	MSP per Dozen
1.75 (jar)	\$0.57	\$0.33	\$0.403	\$0.230	\$0.342	\$0.195	\$4.10
3.75 (jar)	0.79	0.21	0.558	0.149	0.473	0.126	5.68
7.50 (jar)	1.19	0.16	0.840	0.112	0.713	0.095	8.56
12.00 (jar)	1.59	0.13	1.122	0.094	0.953	0.079	11.44
15.00 (jar)	1.69	0.11	1.193	0.080	1.013	0.068	12.16
1.00 (tube)	0.69	0.69	0.487	0.487	0.413	0.413	4.96
3.75 (tube)	1.25	0.33	0.883	0.235	0.750	0.200	9.00

Note: Suggested retail prices allowed retailers a 40.0% margin on direct purchases from the manufacturer and a 29.4% margin on purchases from wholesalers. Suggested wholesale prices allowed wholesalers a 15.1% margin on purchases from the manufacturer.

Exhibit 5 VPJ Brand Budgets, 1975–1977 (\$000)

	1975	1976	1977 ^a
Gross sales ^b	\$17,792 (100%)	\$22,491 (100%)	\$22,938 (100%)
Variable manufacturing costs	8,616 (48%)	10,618 (47%)	10,572 (46%)
Gross margin	9,176 (52%)	11,873 (53%)	12,366 (54%)
Advertising ^c	1,590 (9%)	2,410 (11%)	2,123 (9%)
TV: Network	1,280	1,526	1,720
Spot	97	586	
Print: Magazine	44	141	62
Sunday supplement		38	45
Newspaper			97
Consumer promotion	137 (1%)	448 (2%)	330 (1%)
Trade promotion	1,810 (10%)	2,468 (11%)	2,202 (10%)
Total marketing expenditures	3,537 (20%)	5,326 (24%)	4,655 (20%)
Profit before SG&A expenses, overhead, and taxes	\$5,639 (32%)	\$6,547 (29%)	\$7,711 (34%)

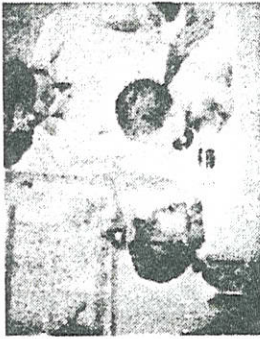
Source: Company records

a. Revised budget as of July 31, 1977. By September 1977 it appeared that these estimates would closely match actual results.

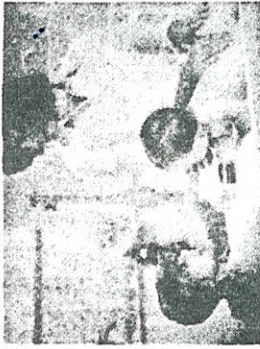
b. Before deductions of off-invoice and base contract allowances; includes sales of both pure and carbolated VPJ.

c. Includes production costs and public relations expenditures as well as media costs.

Exhibit 6 1977 VPJ 30-Second Television Commercial (titled "Year Round")



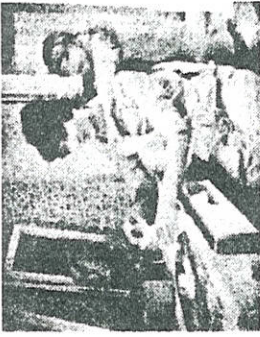
1. LITTLE GIRL: Whatcha doin' Mom?



2. MOM: Helping prevent diaper rash with Vaseline Petroleum Jelly.



3. (SFX: BABY) Wouldn't change Lisa without it.



4. LITTLE GIRL: Whatcha doin' sis?



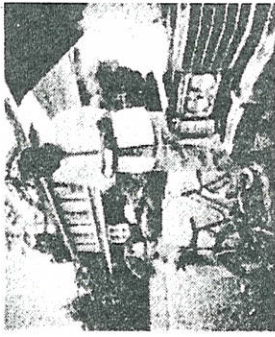
5. SIS: Taking off eye make up with



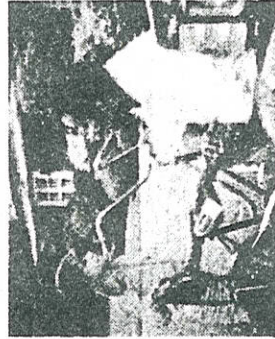
6. Vaseline Petroleum Jelly.



7. Good for the dry skin on these rough spots too.



8. LITTLE GIRL: What're you doin' Mr. Adams?



9. MR. ADAMS: I got a little burn. I am soothing it,



10. with Vaseline Petroleum Jelly.



11. ANNCR: (VO) In all seasons, for all reasons ...



12. ...do it with Vaseline Petroleum Jelly.

Source: William Esty Company, Inc., N.Y., N.Y.

Exhibit 7 1976 Newspaper and Magazine Advertisement for \$2 Cash Refund Promotion

\$2.00

Mrs. Eva Nichols
Lexington Ave
York, N.Y. 10017

CASH BACK

WHEN YOU BUY ANY 4 OF THESE LEADING BRANDS AT YOUR FAVORITE STORE.

HERE'S HOW TO GET YOUR \$2 CASH REFUND BY MAIL:

1. Go to your store and buy any 4 of these 5 leading brands in any size (Q-TIPS Cotton Swabs must be 170's size).
2. Fill out this required refund certificate and send with the required proofs-of-purchase shown below at right for each brand.
3. Mail this certificate and proofs-of-purchase to:
\$2 Cash Back
P.O. Box 2003-M
Jefferson City, Mo. 65101
4. Hurry—offer expires June 1, 1976.

Offer good only in U.S.A.; void where prohibited by law; this refund certificate may not be mechanically reproduced and must accompany your refund request; offer limited to one refund per name or address (maximum refund—\$2.00); your offer rights may not be assigned or transferred; cash redemption value 1/20 of 1¢; offer expires 6/1/76.

VASELINE® Intensive Care® Lotion—send your cash register tape with the purchase price circled plus code number from bottom of bottle, any size Regular or Fresh Herbal.

VASELINE® Intensive Care® Bath Beads—cut the net weight from the front label of the box, any size, Regular, Bubbling Herbal or Mineral.

Q-TIPS Cotton Swabs—cut out the entire front panel on the 170's size.

VASELINE Petroleum Jelly—remove the entire back label from any size jar (soak off in warm water to remove).

CUTEX Polish Remover—cut the net weight statement from the front label of any size Regular, Herbal, or Lemon. Remember you must send proofs-of-purchase from 4 of these 5 brands.

NAME _____ ADDRESS _____

CITY _____ STATE _____ ZIP _____

Exhibit 8 1976 Merchandising Flyer for VPJ Twin-Pack Promotion

#1 selling baby item delivers* multiple sales

to meet increased consumer usage



*Retailer Merchandise Withdrawal Service for 12 months ending December 1975. Unit Sales

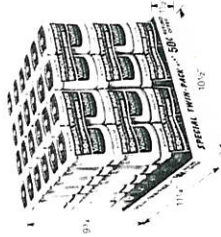
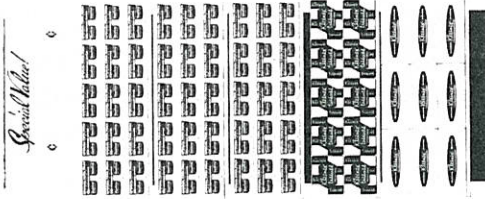
• Sales increased 28% with multi-usage TV advertising**



Lighting: Royce; Anstetter; Doolittle; Sauer; 1975

Combine

- Aggressive pricing
- 50c Cash Refund
- Effective Cross Merchandising for Big Profits and Fast Sell-Through



2 free 10 with 5% off-invoice*

5% advertising allowance by separate check for a cut-price feature*

Product Information:

Description	Size	Code #	Sugg. Retail	Regular Cost Per Shipper	Special Cost Per Shipper	Special Cost Per Twin Pack	Shelf Pack	Case Pack
Twin Pack, Display Shipper	3 1/4 oz.	2327-00	\$1.50	\$32.40	\$36.99	\$749	3 Jar Shelf Packs	3 Jar Twin Packs

Promotional Information:

Shipping Period: 6/1/76 - 6/25/76
 Advertising Period: 6/1/76 - 7/23/76
 Terms: 1% 30 days net 31 days
 Minimum Shipment: Regular, CPI Minimums Apply
 AFE #: 14-32-06
 Display Shipper: 11 1/2 x 10 1/2 x 9 1/4
 Case Cuts: 682
 Case Weight: 23 lbs per case

HEALTH & BEAUTY PRODUCTS DIVISION
 Chesebrough-Pond's Inc.
 GREENWICH, CONNECTICUT 06030



A traffic builder reaching
1 out of 3 households



The biggest single
H&BA advertising event
ever run in Reader's Digest

- 18 million cash refund certificates
- 10 pages of consumer stopping advertising with a sweepstakes offer
- Reaching over 44 million adult readers

October issue on sale September 28



Merchandising
for multiple sales

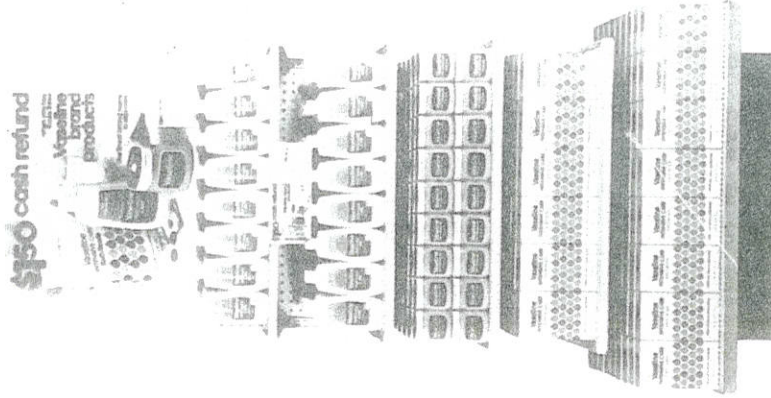
\$1.50 cash refund
by mail from **Chesebrough-Pond's Inc.**



when you buy
all 3 of these quality
Vaseline brand products

- Vaseline® Intensive Care® Lotion
Regular or Herbal, 10 oz. _____ ¢
- Vaseline® Intensive Care® Bath Beads
Regular or Herbal, 15 oz. _____ ¢
- Vaseline® Petroleum Jelly 7 1/2 oz. _____ ¢

*Get required certificate at our stores



Riser card #2308-00
Shelf talker #2309-00

HEALTH & BEAUTY PRODUCTS DIVISION
Chesebrough-Pond's Inc.
GREENWICH, CONNECTICUT 06830

Exhibit 10 Costs to VPJ of 1976 Consumer Promotions**1. January: Allocated Cost to VPJ: \$129,000**

	<i>Circulation (million)</i>	<i>% Response</i>	<i>Number of Responses</i>	<i>Cost per Response</i>	<i>Total Cost (five brands)</i>
Sunday supplement	30.00	0.7	210,000	\$2.25 ^a	\$599,625
Magazines	14.50	0.2	29,000		
Point-of-purchase materials	2.75	1.0	27,500		
21,000 riser cards					\$27,225
60,000 shelf talkers					\$15,375

2. April: Allocated Cost to VPJ: \$56,620

	<i>Face Value</i>	<i>Circulation (million)</i>	<i>Redemption Rate %</i>	<i>Number of Redemptions</i>	<i>Cost per Redemption</i>	<i>Total Cost (VPJ only)</i>
Coupon redemption	15 cents ^a	4.65	4.0	186,000	21.05 cents ^a	\$39,150
Coupon artwork and printing						\$14,300
Package flagging and coupon insertion						\$3,170

3. June: Cost to VPJ: \$82,150

	<i>Circulation (no. of twin packs)</i>	<i>% Response</i>	<i>Number of Responses</i>	<i>Cost per Response</i>	<i>Total Cost (VPJ only)</i>
Refund offer	1,260,000	7.0	88,200	75 cents ^a	\$66,150
Special packaging					\$16,000

4. September: Allocated Cost to VPJ: \$141,200

	<i>Circulation (million)</i>	<i>% Response</i>	<i>Number of Responses</i>	<i>Cost per Response</i>	<i>Total Cost (three brands)</i>
Reader's Digest	18.0	0.5	90,000	\$1.75 ^a	\$315,000
Point-of-purchase materials	4.5	2.0	90,000		
30,000 riser cards					\$27,000
75,000 shelf talkers					\$13,000
Sweepstakes prizes, judging, handling					\$54,000

Source: Company records

a. Includes face value of coupon or refund plus handling charges

Exhibit 11 VPJ Trade Promotion History, 1972-1977

Year	Date of Promotion		Sales Days Promoted	Consumer Promotion Activity	3.75 oz.			7.50 oz.		12.00 oz.		15.00 oz.		Comments
	Start	End			5% OI	10% OI	10% OI M/C	5% OI	10% OI M/C	5% OI	10% OI M/C	5% OI	10% OI M/C	
1972	9/1-10/15		29	none	-	-	-	5% OI staple 10% OI M/C	5% OI staple 10% OI M/C	5% OI staple 10% OI M/C	5% OI staple 10% OI M/C	5% OI staple 10% OI M/C	OI = off-invoice A staple or standard case contained one dozen units. A master case (M/C) was a prepacked mix of sizes, usually including six dozen units.	
1973	1/2-2/13		31	none	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size	5% OI staple 10% OI M/C + 5% OI on choice of one size		
	5/1-6/30		43	none	5% OI (SE and SW regions only)	5% OI	5% OI	5% OI	5% OI	5% OI	5% OI	5% OI		
	9/4-11/2		46	10-cent coupon on any size VPJ	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size	7% + 5% OI on choice of one size		
1974	2/1-3/15		29	none	-	-	-	10% OI	10% OI	10% OI	10% OI	10% OI	An additional 10% discount given to accounts showing evidence of feature advertising support for the brand.	
	5/1-6/14		31	none	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad	10% OI + 10% ad		
	8/1-9/13		31	none	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	One case provided free for every 11 ordered.	
	11/1-12/13		28	none	-	-	-	-	-	-	-	-		
1975	1/2-2/14		31	Container pack premium with 7.50-oz. size	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11		
	3/10-4/18		32	10-cent cross-ruff coupon with P&G Ivory Snow Multibrand	-	-	-	1 w/11 or 2 w/10 on choice of one size	1 w/11 or 2 w/10 on choice of one size	1 w/11 or 2 w/10 on choice of one size	1 w/11 or 2 w/10 on choice of one size	1 w/11 or 2 w/10 on choice of one size		
	6/2-6/27		21	none	-	-	-	1 w/11 + 10% ad	1 w/11 + 10% ad	1 w/11 + 10% ad	1 w/11 + 10% ad	1 w/11 + 10% ad		
	9/2-9/30		21	50-cent refund offer 2 VPJ proofs of purchase	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11	1 w/11		
	11/3-12/12		27	none	-	-	-	2 w/10 + 10% ad choice of one size	2 w/10 + 10% ad choice of one size	2 w/10 + 10% ad choice of one size	2 w/10 + 10% ad choice of one size	2 w/10 + 10% ad choice of one size		

Exhibit 11 (continued) VPJ Trade Promotion History, 1972-1977

Date of Promotion Year	Duration	Sales Days Promoted	Consumer Promotion Activity	1.75 oz.	3.75 oz.	7.50 oz.	12.00 oz.	15.00 oz.	Comments
1976	1/5-2/27	41	\$2 refund offer Multibrand	1 w/11	1 w/11	2 w/10	1 w/11	1 w/11	5% ad allowance for feature ad on any one size.
	4/5-4/30	21	15-cent cross-ruff coupon with Kimbies Multibrand	-	-	2 w/10 on choice of one size	2 w/10 on choice of one size	2 w/10 on choice of one size	Only one order permitted during promotion period. 10% ad allowance for ads featuring all three promoted brands.
	5/14-6/25	38	50-cent refund offer for 2 VPJ proofs of purchase	-	2 w/10 on twin pack + 5% ad	-	-	-	Bonus 5% ad allowance for ads featuring all three promoted brands. Display allowance of \$3 per retail outlet for an end- aisle, off-shelf display of all three brands (minimum 15 dozen per display).
	8/2-9/24	43	<i>Reader's Digest</i> sweepstakes; \$1.50 refund offer and sweepstakes Multibrand	1 w/11 + 5% ad	1 w/11 + 5% ad	2 w/10 + 5% ad	1 w/11 + 5% ad	1 w/11 + 5% ad	
	10/4-11/11	30	none	-	12% OI	-	-	-	
	10/4-12/13	50	none	-	-	-	-	15% OI	
1977	1/3-2/25	40	Swiss Army knife self-liquidating premium	-	-	10% OI	-	-	5% ad allowance if knife featured in advertising.
	4/4-4/29	20	25-cent coupon for 15-oz. VPJ Multibrand	-	10% OI on choice of one size + 5% ad	-	-	10% OI on choice of one size + 5% ad	Display allowance of \$3 per retail outlet for displays of two out of three promoted brands (minimum 15 dozen per display).
	5/2-5/27	21	none	-	-	2 w/10	-	-	
	6/6-6/24	22	none	-	10% OI on twin-pack	-	-	-	

Source: Company records

Exhibit 12 Food Trade's Advertising Support for Petroleum Jelly and Other Packaged Goods

	A Ads (> 3 in.) ^a		B Ads (1-3 in.) ^a		C Ads (< 1 in.) ^a		Total		Average No. of Ads per Account per Year
	No.	%	No.	%	No.	%	No.	%	
Petroleum Jelly									
VPJ	-	-	3	7.0%	39	93.0%	42	100%	2.63
Private label	-	-	-	-	6	100.0	6	100	0.37
Category									
Laundry									
detergents	109	10.1%	517	48.1%	449	41.8%	1,075	100%	67.00
Bar soaps	18	3.9	249	53.3	200	42.8	467	100	29.00
Hand lotion	2	1.2	25	14.7	143	84.1	170	100	11.00

Source: Company records, based on 1975 Majers data for three major metropolitan markets. Majers, an independent market research firm, monitored grocery, drug, and mass merchandiser newspaper advertising support for a wide variety of products.

Note: Of the 42 VPJ ads counted, 2 were for the 1.75-oz. size; 12 for the 3.75-oz. size; 20 for the 7.50-oz. size; 6 for the 12-oz. size; and 2 for the 15-oz. size.

- a. Ads are grouped by size in newspaper column inches. For example, a C ad would be one column wide and less than one inch long. In a large newspaper advertisement featuring many brands offered by a supermarket, a C ad (also known as an obituary ad or line mention) might consist of a single line giving the brand name and unit price. An A ad, in contrast, would usually appear in very large type and include a picture.

Exhibit 13 Estimates of Trade Participation and Net Incremental Contribution (or loss) Associated with VPJ Trade Promotions, 1972-1977

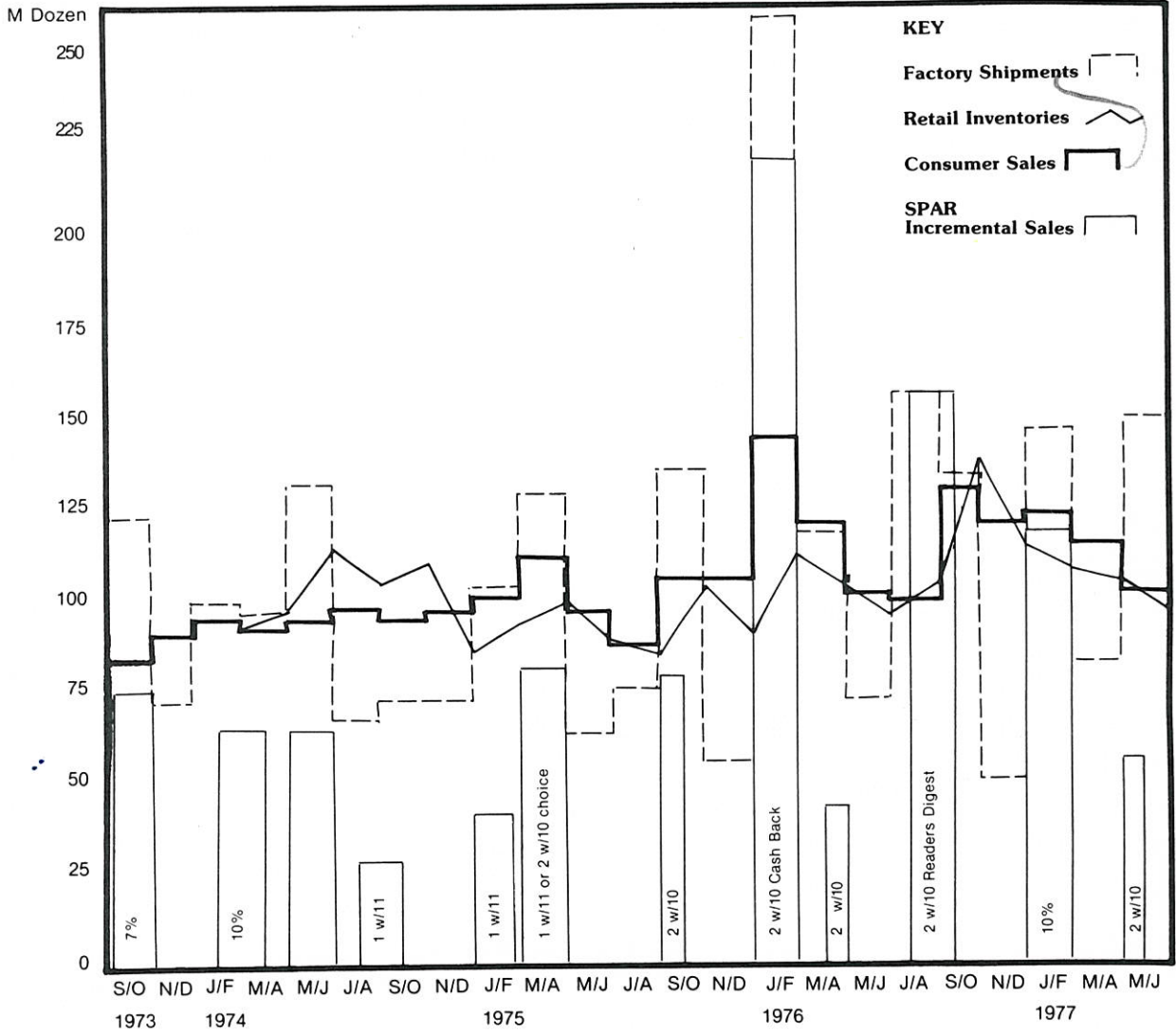
Year	Promotion Period		Sales Days Promoted	Estimated Trade Participation					Incremental Contribution (or Load) by Size					Total Net Incremental Contribution (or loss)
	Duration			1.75-oz.	3.75-oz.	7.50-oz.	12.00-oz.	15.00-oz.	1.75-oz.	3.75-oz.	7.50-oz.	12.00-oz.	15.00-oz.	
1972	9/1-10/15		29	-	-	75%	55%	60%	-	-	\$29,133	\$27,246	\$56,870	\$113,249
1973	1/2-2/13		31	55%	65%	70	50	55	\$14,522	\$58,982	36,770	31,471	32,682	174,427
	5/1-6/30		43	55	70	75	-	-	14,054	21,795	61,066	-	-	96,915
	9/4-11/2		46	55	65	70	55	55	38,496	68,334	54,191	24,970	60,730	246,721
1974	2/1-3/15		29	-	-	75	55	60	- ^a	- ^a	26,204 ^a	28,306	56,335	110,845
	5/1-6/14		31	55	-	70	-	-	11,146 ^a	- ^a	24,973 ^a	- ^a	- ^a	36,119
	8/1-9/13		31	55	65	70	55	55	(48,388)	25,881	(15,644)	43,808	24,533	30,190
	11/1-12/13		28	-	75	-	-	70	- ^a	8,562	- ^a	- ^a	54,615 ^a	63,177
1975	1/2-2/14		31	55	-	75	-	-	(90,623)	-	23,148	-	-	(67,475)
	3/10-4/18		32	-	-	85	65	75	-	-	46,934	39,894	49,182	136,010
	6/2-6/27		21	-	75	-	-	-	-	(18,334)	-	-	-	(18,334)
	9/2-9/30		21	55	-	75	-	-	(13,219)	-	27,652	-	-	14,433
	11/3-12/12		27	-	75	-	-	70	-	(31,115)	-	-	29,509	(1,606)
1976	1/5-2/27		41	80	90	95	80	80	32,984 ^a	21,921 ^a	159,265 ^a	50,669 ^a	65,902	330,741
	4/5-4/30		21	-	-	90	75	80	-	-	8,939	(2,651)	15,693	28,581
	5/14-6/25		38	-	85	-	-	-	-	89,887	-	-	-	89,887
	8/2-9/24		43	70	80	85	70	75	48,863	59,310	102,004	40,103	41,278	291,558
	10/4-11/11		30	-	90	-	-	-	-	(39,570)	-	-	-	(39,570)
	10/4-12/13		50	-	-	-	-	85	-	-	-	-	26,932	26,932
1977	1/3-2/25		40	-	-	85	-	-	- ^a	- ^a	124,248 ^a	- ^a	- ^a	124,248
	4/4-4/29		20	-	90	-	-	85	-	51,642	-	-	99,763	151,405
	5/2-5/27		21	-	-	90	-	-	-	11,094	-	-	-	11,094
	6/6-6/24		22	-	85	-	-	-	-	32,136	-	-	-	32,136
1972-77	Average		32	59	78	79	62	70	871	26,879	47,998	31,535	47,233	86,160

Source: SPAR research commissioned by CIP.

Note: To be read: The trade promotion running from September 1 through October 15, 1972, generated a net incremental contribution of \$29,133 on sales of the 7.50-oz. size, and a total net incremental contribution of \$113,249.

a. A list-price increase on the designated size occurred simultaneously with the promotion.

Exhibit 14 Factory Shipments, Incremental Unit Sales, Retail Inventories, and Consumer Sales for 7.5-oz. VPJ, 1972-1977



Source: Company records