PETER KLEIN

GILLETTE SAVIOR RIDES INTO SUNSET

By Jack Neff

About the author

Jack Neff covers the package-goods industry for *Advertising Age*.

"I'm Tonto," says Peter Klein, self-effacingly summing up in two words what a more grandiose executive might accurately describe as a pivotal role in reshaping package-goods marketing over the past quarter century.

The Lone Ranger to Mr. Klein's Tonto would be Jim Kilts. The former Kraft Foods executive led a two-year turnaround as CEO of Nabisco Foods, sold it to his alma mater, then led a four-year turnaround of Gillette Co. and sold it to Procter & Gamble Co.

But, like the real Lone Ranger, Mr. Kilts never really ranged alone. Always alongside him—and driving such market-changing innovations as Oscar Mayer's Lunchables and the Mach 3—was Mr. Klein. The two first met when Mr. Klein joined Marketing Corp. of America (MCA) as a consultant in 1981—Mr. Kilts was his second client. Since then they have been inextricably linked. A more accurate analogy than Tonto might be Karl Rove. But, post-Katrina, Tonto sounds better.

"Yes, he was one of my better clients. No, he was not my only client," Mr. Klein says of the 17-year consulting phase of his relationship with Mr. Kilts.

When Mr. Kilts became CEO of Nabisco in 1999, Mr. Klein turned from consultant to employee. He was exec VP-corporate strategy, business development and marketing services, following Mr. Kilts to Gillette two years later as senior VP with the same duties.

What makes the collaboration more fascinating is the men's strikingly different public personas. Mr. Kilts is the patrician, always-on-message, media-averse prototype of a package-goods executive. Mr. Klein is the wisecracking, loquacious, plain-spoken one who, despite his extroversion, has been deep in the background for nearly a quarter century.

Until lately. As he prepares to step away from Gillette after its acquisition by Procter & Gamble Co., Mr. Klein is moving into a solo consulting practice. With two high-profile turnarounds and a billion-dollar brand launch under his belt, he'll easily be the most qualified consultant the industry has ever known. Before starting, he had proposals from about 10 prospective clients.

Lunchables was indicative of the modus operandi Mr. Klein would carry forward. Oscar Mayer was struggling as it tried to expand into frozen foods, where existing players knew more and performed better. First, Mr. Klein helped them see the need to concentrate on refrigerated foods. Then, he developed a "strategic growth-opportunity plan" that identified kids and moms as a rich target. From that came consumer research showing that kids found their packed lunches boring, while moms made them that way because they were hurried. Mrs. Mayer's Lunch Packs—ultimately Lunchables—was one of 125 ideas that sprang from that insight.

PHOTO BY DARRYL ESTRINE

Unlike many innovation programs at the time, "we didn't start with the wind-up-toy syndrome, where you go work on a lot of stuff and change direction when [the idea] hits a wall," he says. Mr. Klein would apply similar process-driven innovation at Nabisco and Gillette, two wind-up companies that hit a wall in the 1990s.

At Gillette, much of the trouble stemmed from the $8 billion 1996 acquisition of Duracell, which was worth less than $2.5 billion by the time he arrived in 2001, says Mr. Klein. As Duracell drained profits, Gillette diverted funds from consumer marketing to trade promotion and earnings in a futile effort to stop the bleeding.

Accountability, strategy and process also had deteriorated, he says. Gillette had the leading battery and toothbrush brands in the U.S. but was beaten by P&G in battery-operated toothbrushes. It had only one cross-functional team—a task force to reduce stock-keeping units that had gone 10 months without eliminating a SKU. "That was part of the parade of uglies when we arrived," he says.

He and Mr. Kilts provided clear authority and accountability to managers, had every part of the company develop innovation processes around strategic plans and stepped up investment in analytics and measurement to plan and evaluate marketing initiatives. "Smarts, decisiveness and great vision" were what Mr. Klein brought, says Simon Marlow, exec-VP at Omnicom Group's BBDO Worldwide on the global Gillette account.

In some areas, the turnaround was dramatic. Oral-B, which had been on the defensive, had P&G on the defensive within two years. Gillette's razor business remained dominant, but against newly aggressive competition as Schick was purchased by Energizer Holdings. Even there, Gillette improved its game, Mr. Klein says, by focusing on long-neglected disposables and stepping up innovation between big launches.

"I think at this point we have two to four times as many projects in the R&D pipeline as when we arrived in early '01," he says. "And the balance between the singles, doubles, triples and home runs is exemplary."

And with that record clearly established, Tonto heads into the sunset—a line of new would-be rangers waiting at his door. ■

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