

# Church & Dwight - Can Hero Grow Beyond the Patch?

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**Topic:** Growth Strategy, Corporate Strategy, Innovation

**Industry:** Household Products

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**Decision date and information cutoff:** 29 February 2024

**Decision scope:** Incremental support and rollout priorities for Hero Cosmetics

**Case convention:** This is an author-created decision exercise. The resource-allocation decision and alternatives are hypothetical; company and stakeholder disclosures are historical. No private management deliberations are represented.

## The decision

At the start of 2024, Church & Dwight was positioning Hero Cosmetics as a growth brand. Hero had become known for Mighty Patch acne patches, and CHD's February 2 earnings release said Hero would continue patch innovation while adding Dissolve Away Daily Cleansing Balm, a planned product for acne-prone skin. The company was preparing product launches across several other brands at the same time. [S1]

The case does not ask whether to invent the balm: CHD had already announced it. It asks how the company should direct the next increment of Hero's marketing, retail and launch support, and what would justify broader rollout. Should CHD prioritize the proven patch line, make cleansing a major second platform, or stage the adjacent product and expand only after learning from consumers and retailers?

**Assignment:** Recommend a Hero growth plan as of 29 February 2024. Decide how to balance support for Mighty Patch and other acne treatments against the planned cleansing balm. Specify the evidence or milestones that should determine whether to scale the balm or extend it to additional channels and geographies. Explain the strongest argument against your choice. Do not assume product-level sales, costs or market response that CHD did not disclose.

## A growing brand in a wider portfolio

Church & Dwight sells household and personal-care products through its Consumer Domestic and Consumer International segments, as well as specialty products. It competes in categories with continuous product innovation and line extensions. The company says competition depends on product innovation and performance, brand recognition, price, value and other consumer benefits. Launches often require heavy marketing and trade spending, and CHD may need time after introduction to determine whether a new product or line extension succeeds. Retail customers, including large internet-based retailers, can also press for lower prices or more favorable trade terms. [S2]

CHD acquired all of Hero Cosmetics in October 2022. It reported paying \$546.8 million net of cash at closing, with another \$8 million deferred for five years to cover certain indemnification obligations if needed. [S2] The acquisition brought Mighty Patch, an acne-treatment patch

brand, into CHD's portfolio. CHD does not report Hero's standalone sales, profits, customer acquisition cost or launch returns.

CHD's 2023 results show the importance of separating organic growth from acquired sales. Net sales rose 9.2% to \$5.87 billion, while organic sales increased 5.3%. The company attributed 3.9 percentage points of overall sales growth to acquired product lines. Consumer Domestic sales increased 10.7%, including 5.0 percentage points from acquired product lines. [S2] These consolidated and segment figures do not reveal Hero's independent growth.

## **Evidence for the opportunity**

CHD's February 2 release described Hero as continuing to drive most of the acne category's growth and as the leading U.S. acne-patch brand. It said the company planned further patch innovation and the Dissolve Away Daily Cleansing Balm to broaden its offer of “gentle and effective” solutions for acne-prone skin. These descriptions are management's claims; CHD did not disclose a product-level test of the balm or its expected economics. [S1]

CHD's February analyst presentation offered a company-presented view of retail momentum. Using Circana's U.S. multi-outlet data for total acne treatment in the 52 weeks ending 31 December 2023, it showed dollar consumption growth of 20.4% for the category and 72.9% for Hero. A separate slide described Hero's 18.4% 2023 dollar share as an all-time high. [S3] These are market-data measures presented by CHD; they are not Hero's reported net sales, unit growth, profit or repeat-purchase rate.

The company also had a first international test underway: in August 2023 Hero announced availability in Canada through Shoppers Drug Mart, Walmart and Amazon. The company said the launch would start with its patch range and that it planned to broaden the offer in 2024. It did not provide Canadian sales, margins or reorder data. [S4]

The cleansing direction is not unique to Hero. In 2023, Kenvue described Neutrogena's science-led skincare activity and reported presenting a one-week study of a 10% sulfur and 4% niacinamide lotion for inflammatory acne lesions at the American Academy of Dermatology meeting. This signals competition from established skin-care portfolios investing in acne-related science; it does not show comparative efficacy or market results against Hero. [S5]

## **What research can-and cannot-tell you**

Brand-extension research suggests that consumers may respond to an extension based on more than whether its category seems nearby. Aaker and Keller studied 20 hypothetical extensions under six brands with 107 undergraduate business students, then tested messaging for four poorly rated extensions with 121 students. Their measures included product-class relationships, transfer of skills and resources, brand quality, perceived extension quality and likelihood of trying. Fit and parent-brand quality related to evaluations conditionally; addressing specific negative associations helped in the second study. These were small-sample, hypothetical evaluations, not evidence about Hero's balm sales, repeat use or profit. [S6]

Deng and Messinger developed a six-part fit framework-features, function, resources, usage occasions, target market and brand image. Their work included a scale study with 321 students and a U.S. consumer-panel study of 813 people evaluating hypothetical extensions across 84 brand/product combinations. The outcomes were perceived fit, attitudes and purchase intentions. The authors caution that using only a subset of fit dimensions can produce an incomplete assessment. The framework can help identify questions CHD would need to test; it does not predict whether Hero's cleansing product will succeed. [S7]

## Exhibit 1. CHD's financial and launch context

| Measure                     | 2023 result                              | What it says-and does not say                          |
|-----------------------------|------------------------------------------|--------------------------------------------------------|
| CHD net sales               | \$5,867.9m; +9.2%                        | Company-wide; includes acquired-product growth         |
| CHD organic sales           | +5.3%                                    | +4.4% pricing/mix and +0.9% volume                     |
| Acquired product lines      | +3.9 percentage points of company growth | Not the same as Hero's contribution                    |
| Consumer Domestic net sales | \$4,571.2m; +10.7%                       | Includes 5.0 percentage points from acquired lines     |
| Gross margin                | 44.1%; +220 basis points                 | CHD attributed 90 basis points to the Hero acquisition |
| Marketing expense           | \$641.3m; +19.8%; 10.9% of sales         | Company-wide; not Hero's marketing budget or return    |

*Source: CHD's 2023 Form 10-K. Values are reported by CHD; segment and consolidated figures should not be treated as Hero-only economics. [S2]*

## Exhibit 2. Hero's disclosed retail momentum

| Indicator                                              | CHD-published figure                 | Scope                                                        |
|--------------------------------------------------------|--------------------------------------|--------------------------------------------------------------|
| U.S. acne-treatment category dollar-consumption growth | +20.4%                               | Circana total U.S. multi-outlet, 52 weeks ending 31 Dec 2023 |
| Hero dollar-consumption growth                         | +72.9%                               | Same category and time scope                                 |
| Hero dollar share                                      | 18.4%, described as an all-time high | Total acne treatment, Circana total U.S. multi-outlet        |

*Source: CHD Analyst Day, 2 February 2024. These are management-presented Circana retail measures, not company-reported sales, units, margins or causal effects. [S3]*

## Portfolio choices

The choices below are created for this exercise; none is represented as a disclosed CHD plan.

- 1. Keep the core first.** Maintain the announced balm launch, but direct the next increment of marketing and retail support to patch innovation, availability and distribution. Treat the balm as a limited launch until it demonstrates consumer and retailer traction. This protects a product with visible category momentum but may slow the effort to give Hero a broader role in acne-prone skincare.
- 2. Build cleansing into a second platform.** Give the balm and related acne-prone-skin products substantial launch support and seek broad U.S. distribution. This could increase Hero's relevance across more skincare occasions, but it requires investment before CHD has disclosed the balm's repeat use, retailer reorders, incremental contribution or effect on the patch brand.

3. **Stage the expansion.** Support the announced launch while protecting core patch availability; test the balm with defined consumer and retail cohorts, then scale only if pre-set evidence supports it. Use the Canadian patch launch to learn about channel execution, but do not treat it as proof that a cleansing product or another geography will work. Staging limits broad commitment but could delay scale while competitors compete for attention.

## What CHD does not disclose

The public record does not show Hero-only revenue or profit; patch and cleansing product margins; balm launch, marketing and trade costs; consumer repeat or switching; retailer commitments or reorder rates; or Hero's Canadian economics. CHD's company-wide financial measures and Circana category data cannot fill those gaps. The case asks for a strategic choice under uncertainty, not a fabricated financial forecast.

**Decision prompt:** Which plan should CHD follow for Hero's next phase? Identify two or three leading indicators, a period or milestone for review, and a result that would cause you to scale, hold or redirect investment. How would your recommendation change if the balm attracted first-time buyers but did not generate repeat purchases, or if retailers offered broad shelf placement only in exchange for substantial trade support?

## Sources and conventions

All facts and positions are dated at or before 29 February 2024. Company and competitor statements remain attributed. No later product launch, share, financial result or consumer response is included.

**[S1]** Church & Dwight, [Q4 and full-year 2023 earnings release](#), 2 February 2024, especially pp. 2-4. Hero patch and balm plans at p. 2; 2024 growth model, investment outlook and seven power brands at pp. 3-4.

**[S2]** Church & Dwight, [2023 Form 10-K](#), accession 0000950170-24-015810, filed 15 February 2024 ([SEC filing index](#)). Competition and launch risks, printed pp. 6-7; company results and marketing, pp. 40-41; Consumer Domestic, pp. 43-44; Hero acquisition, p. 65.

**[S3]** Church & Dwight, [2024 Analyst Day presentation](#), 2 February 2024, Hero slides 85-88 (PDF pp. 84-87); company-wide outlook/investment slides 30-40 (PDF pp. 29-39). Circana scope appears on the Hero share slides.

**[S4]** Hero Cosmetics, [Canada expansion announcement](#), 1 August 2023. Company statement; no Canadian sales or profitability data.

**[S5]** Kenvue, [Skin health & beauty brands at the 2023 American Academy of Dermatology meeting](#), 14 April 2023. Company description of its portfolio, conference participation and acne-lotion study.

**[S6]** Aaker, David A., and Kevin Lane Keller, "Consumer Evaluations of Brand Extensions," *Journal of Marketing* 54(1), 27-41 (1990), [publisher page and abstract](#), DOI. Study 1 methods/results, pp. 30-35; Study 2, pp. 36-38; limitations, p. 39.

**[S7]** Deng, Qian (Claire), and Paul R. Messinger, "Dimensions of Brand-Extension Fit," *International Journal of Research in Marketing* 39(3), 764-787 (2022), [publisher article](#), DOI. Fit framework and scale-development method, pp. 767-773; consumer-panel design and validation, pp. 773-778; discussion and limitations, pp. 779-783.