

Market analysis of the procter and gamble company



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Procter & Gamble is a major U. S. manufacturer of soaps, cleansers, and other household products. P&G have three main product lines: household and personal care, food consumer and health care products. P&G interact with over five million consumers each year in approximately sixty countries around the world (PG. 2010). P&G has remained on the Fortune 500 listing since 1955 and has never ranked less than number 35 in the last fifty-five years (AGG Data. 2010). In 2009, it ranked number 20 of Fortune 500 companies with revenue of \$83. 503. 00 million and profit of \$12, 075. 00 million (AGG Data. 2010). According to Mr. John E. Pepper, CEO Procter & Gamble, the company has a history of growth and expansion. Every ten years for the last fifty years, the company has doubled their business. He feels the company's success has been based on their brands, including those that created a whole new category. For example Pampers was the first affordable disposable diaper and Crest was the first fluoride toothpaste both manufactured by Procter & Gamble (Pepper. 1999). No company in the world has invested more money in consumer and market research than Procter & Gamble. Each year the company conducts at least fifteen thousand research studies and invests three-hundred and fifty million dollars in consumer research (PG. 2010). In order for the company to maintain profitable and grow, they must engage in strategic development that encompasses relooking at their processes, structures and culture and creating the “ hub and spoke” structure for competitive intelligence operations.

Company Background:

Procter & Gamble was formed in 1837 when brother-in-laws James Gamble, a soap maker and William Procter, a candle maker joined forces. The firm's

starting capital was \$7, 192. 24 and they agreed on a 50/50 distribution partnership (American Chemical Society. 2007). Formation of the company coincided with the economic expansion of the United States. Their first products, soap and candles, were transported by steamboats down the Ohio River to Mississippi and New Orleans. By 1850, the company was able to expand their distribution to additional markets using railroads. The company grew into a million-dollar enterprise during the Civil War when the firm obtained contracts to supply the Union Army with soap and candles. However, in 1879 the company was forced to eliminate its candle making when consumers switched to kerosene. The company expanded its soap making to stay competitive by experimenting with developing a castile-like product that was inexpensive enough to be mass marketed. Ivory Soap was the answer. The soap was made from coconut and palm oil, lathered easily, remained solid and lasted longer than other soaps. The company aggressively marketed the new product and the success of Ivory led Procter & Gamble to being a multi-million dollar industrial icon. In the 1930 and 40's, the company utilized technology and chemical experimentation to expand its product line into synthetic detergents that were marketed globally. The company introduced Dreft and then Tide. Now it was no longer consider just a soap company. The company later began to make personal-care items such as toothpaste, shampoo, and deodorant; food products such as cake mixes and coffee; and miscellaneous products such as cellulose pulp and chemicals.

Mission Statement & Vision Statement:

Vision

“ Be, and be recognized as, the best consumer products and services in the world”

Mission

“ Procter and Gamble will continue to serve consumers by continuously innovating products that will allow us to be leaders in household and personal care, health care, and food products. To produce products with the utmost care to give nothing but quality to our communities. And to continue to grow so that we can maximize our shareholder’s wealth” (Procter & Gamble. 2010).

Procter & Gamble was built on the theory of touching consumer lives with brands that make life a little better every day. They connect with consumers by offering affordable products and packaging specially designed to meet consumer needs which has allowed Procter & Gamble to remain profitable for one hundred-seventy three years.

Internal Analysis & External Analysis:

Procter & Gamble has a strong internal and external foundation. It has built its reputation on achieving the goals it sets forth, following their vision and establishing principles based on their beliefs about business and consumers. The company has remained a front competitor in innovation by introducing new and improved products to consumers brought on by market changes. P&G realizes that in a competitive market speed of research and development is a key element. Mr. Michael Allan, Director of Baby-Care stated to Mr. Pepper, CEO, “ It won’t be the big that eat the small; it will be

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the fast that eat the slow” (Pepper. 1999). Procter & Gamble realized that the company needed to refocus their attention to continue to achieve a winning strategy to meet internal and external challenges. Leadership felt that their growth was too slow and their complexity was too high. Their objective became to build and create leadership brands globally better than ever before and to capitalize on the knowledge, capability and commitment of its employees. This will be achieved by simplification of the organization structure, minimizing processes, introducing technology and making strategic changes to their culture.

SWOT analysis of your plan’s focus area(s):

Strengths:

Profitable

Adaptability of Product Line to meet consumer needs.

One of Procter & Gamble’s strengths is it remain profitable in a struggling economy. It produces products that are personal care items that are necessities even in hard times. Procter & Gamble 2009 annual report to investors shows it employed 102, 000 employees in 80 countries and reported net sales \$79, 029 million (PG. 2009). The Board of Directors proposed a dividend of \$1. 64 per share for 2009 (PG. 2009). Since the corporation is profitable, they are able to invest these profits into acquiring additional companies that will add new products and services to its portfolio to focus on consumers needs.

Weakness:

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Turnaround time for Research and Development products.

Complexity of organization structure

Currently research products take three to four years to develop and market. Given the consumer demands and competition this is too long and the company sales declined in 2009 compared to 2008. P&G organizational structure is multi-tiered for each product line. Changing environment necessitates scale down of management positions and develop the “ hub and spoke” structure for competitive intelligence operations.

Opportunities:

Global marketing

New Products, improvement in existing products, manufacturing and marketing techniques.

Procter & Gamble has the opportunity to market products in emerging technologies. By positioning themselves in the development of new products and improvements to existing products they are at the forefront of technology development with vast opportunities for growth. This has the potential to lead to an increase in customers and raise profits. P&G also has the opportunity to market their products in other international areas. Currently P&G products are sold in 180 countries (PG. 2009). The corporate structure provides the framework to tap the benefits of a global organization with speed and efficiency.

Threats:

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Ecological Factors

Economic Factors

Sales are dependent on consumer spending. When the economy is weak and consumers reduce spending, P&G feels the impact. They must remain competitive with prices and offer diversification of their market line so they can maintain a financial balance. P&G operations must remain compliant with governmental regulations concerning recycling and bio-degradable materials and other mandated ecological factors to preserve the environment.

Goals: (3-5 years)

Eliminate the overlap in management

Initiate the “ hub & spoke” structure for competitive intelligence operations

Expand sales of product line globally

International expansion to markets with potential for growth and limited competition exits

Decrease turnaround time for research and development products

Customer responsiveness

Product development cycles

Product or service improvements

Speed in delivery or distribution

Develop open Innovation Strategy

Emphasis on process innovation that permits low-cost product design, manufacturing methods and distribution

Product cost reduction

Long Term Objectives

Support the business strategy, organizational principles and culture.

Attract and retain required talent

Accept financial responsibility to shareholders

The goal of long term objectives is to support the business strategy as change is implemented. The strategy should be the reference point and link to the design and mechanics of implementation. Linking plan design to the business strategy generates employee motivation and buy-in to the changes being implemented which establishes the culture of the work environment.

Attract and retain required talent ensures profitability and endurance.

Position P&G to be the “ employer of choice” by offering attractive, competitive employment opportunities for long-term financial security across many global locations. Build a personnel structure that allows mobility as changes to organizational structure are deemed necessary.

Remain profitable and supportive to shareholders by declaring yearly dividend on stock holdings.

Strategy Analysis and Choice:

Generic Strategy: Differentiation

A long term strategy must be based on a core idea or generic strategy that gives direction

to the company to strategically compete in the consumer marketplace.

Differentiation for Procter & Gamble involves creating unique products and marketing them to consumers by stressing their products qualities are superior to its competitors. This strategy defines loyal customers who will pay a premium price for their brand because they truly believe in the product. Marketing should be aimed at the qualities that set the product apart and above its competition.

Grand Strategy: Concentric Diversification

Grand strategies are the basis of coordinating and sustaining efforts toward achieving long-term business objectives by providing basic direction for strategic actions. Concentric diversification is a key grand strategy for Procter & Gamble. It involves acquiring businesses that are compatible with P&G in terms of technology, markets and products. According to Pearce & Robinson, “ The ideal concentric diversification occurs when the combined company profits increase the strengths and opportunities and decrease the weakness and expose to risk” (Pearce & Robinson. 2010. P. 221).

Plan Goals and Implementation:

Procter & Gamble should continue to monitor trends in the market and consumer requests for products and implement a corporate retrenchment strategy to enable them to expand their product line and to make their product available to other international locations based on market research. This can be implemented by P&G conducting a stakeholder management survey. By hiring a global marketing information firm to conduct a stakeholder management survey, the information can be used to identify, prioritize and develop improvement initiatives in areas that needed improvement as identified by consumers. The survey would also provide geographical information on profitable areas to introduce P&G products. An increase in research and technology operating budget will allow emerging technologies to continue to be developed and products readily available to consumers. According to Information Week, Procter & Gamble management structure is reorganizing the company's current corporate structure is four geographic business units. The new structure will now be seven global business units based on product categories which is call the product team structure. The company is highly energized and moving forward with increased spending in Information technology (InformationWeek. 1999).

Critical Success Factors:

Critical success factors are the steps that the business, both management and employees, must take to bring the strategies into a reality. The factors may vary from time to time, but they must be addressed in order for the company to operate at optimal efficiency. . A critical factor for Procter & Gamble is quality and innovation. The company must aggressively market

new products and bring research technologies to customers quicker. Critical success factors are beneficial to companies as they provide focus and keep the employees and management going in the same direction. Another critical success factor is increasing revenues. A company must be profitable to be successful. Another factor is expansion of customer service. P&G must be reachable when consumers have a question.

Controls and Evaluation:

Controls must be in place to evaluation success. Financial statements will validate if sales are increasing and profits are increasing. Forecasting is a vital control. A monthly and yearly projection should be made by management to project the sales of products by area. The evaluation would be done monthly to compare the plan to the actual units sold. This information will provide P&G with marketing information for inventory qualities, product turnover and stagnant product lines.

Conclusion

Today's market is characterized by highly competitive organizations which are all vying for consumer's loyalty. Firms are faced with the challenge to maintain their own competitive edge to be able to survive and be successful. Procter & Gamble was built on the theory of touching consumer lives with brands that make life a little better every day. They continue to connect with consumers by offering affordable products and packaging specially designed to meet consumer needs. Procter and Gamble must maintain an innovative approach by introducing new products and re-facing existing product lines to compete and satisfy consumer demands, to allow them to remain profitable for the next one hundred-seventy three years.

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