

Business intelligence analysis report for procter and gamble report

[Business](#), [Company](#)



Executive summary

The aim of this report is to enhance understanding of the managers at the P &G through an intelligence analysis of the main competitors, and the comparison between the company and its main competitor. Unilever International Corporation has been investigated in detail as the main rival to the company. Its current market analysis has been elaborated in detail, while its current strengths, weaknesses, opportunities and threat are explained in detail in the SWOT analysis section. Opinions on the industry and the marketing strategies have been sought from various sources, in order to allow managers to understand what the competitors are planning, and the expected outcomes of their strategies, including an analysis of its economic performances.

Introduction

Procter and gamble has focused on creating a business competitive advantage over its market competitors in several ways. Among the most important and the most viable technique utilized by the company is the ‘ Competitive Intelligence’ in which the company focuses on getting first hand information on the activities that its most challenging competitors in the market are doing. Branding techniques and trademark development and updating has been found to be a leading methodology used by Unilever International as a business secret to lure customers and increase competitive advantage over its competitors. The report is an ‘ actionable intelligence’ that analyses some of the techniques and methodologies

applied in the competitors end, with a clear focus on Unilever international and its branding and trademark development activities.

New activities in marketing and promotion

The focus of the market study was to determine and report the marketing strategies applied by the competitor towards development of a strong competitive advantage. Focus on new activities showed that there are several of them being applied currently, some of which are new trademarks while still others involve updating and changing the existing ones. Promotion activities were also analyzed and reported

Unilever: Longer-Term Marketing Plans

Unilever international has been applying the multi-branding strategy to develop a strong competitive advantage in the market. Brands and innovation have been described as the heart of all the marketing strategies that the company is applying. The company believes that giving people an experience through use of the products it offers for sale, the strategy would be better than direct competition with other companies (Gray, S & Needles, 2008).. The company has therefore focused on improving the product quality and making very strong functional claims. Branding techniques as applied in the company wraps up over other methods in marketing, including designing, packaging, and advertisement, through which the company hopes to gets their brand benefits across more credibly.

Current analysis for marketing

A prime example of the company's current plan is the use of technology to develop brands under new and improvised trademarks. Knorr Stockpot Bouillon, for instance, has been developed in this way. The corporation registered this trademark in the United Kingdom in 2007. Using a technology that was expected to deliver tastes and quality of food similar to that made at fast foods centers, the company developed this fast food flavoring, which has now taken over markets in Europe and Russia (Bendell, 2000)..

Currently, the company is planning to expand the use of Knorr trademark to markets in China, Asia and even Africa. In most other countries in Europe, the brand name is Stockpot rather than Knorr. This is applied to fit the languages spoken in the countries where the brand is in sale for example in Netherlands and Belgium (“ Financial and Strategic Analysis Review”, 2010)..

Moreover, the company is planning to roll out other trademarks for its different products as well as other upcoming brands. Washing detergents are recognized as some of the major products which the company is trying to increase its sales.

Unilever has several products for washing soaps and detergent. Each of these products has different features targeting different customers in the market. One of the major products in this category is Omo. It has an annual sales return of about \$2 billion. The 2010 Annual Report has noted that Omo is placed as a major brand for the family (“ Financial and Strategic Analysis Review”, 2010)..

The second product from Unilever under this category is Surf, which has been poisoned to meet some markets especially in Europe and Americas (Woodard, 2010).. A third product, Persil, is classified to be gentle on the user's skin and is sold worldwide. It is also expected to meet certain requirements such as attaining whiteness of clothes, and this is its major advertisement logo. The current registered trademarks are expected to be used through the next fiscal years, as described in several reports ("Financial and Strategic Analysis Review", 2010)..

The current trademarks for Omo, Surf and Persil are expected to be improved slightly, with an aim of developing consumer trust and reducing chances of copying trademarks in new markets especially in china and Africa where the vice is usually common. The company is also planning to roll out new logos for new market to ensure consumer confidence, especially in China, where its products have done well and promoted the company's products in the past (Kuzelova, 2004).

Another major initiative planning taken by the company is the IP protection for its registered and upcoming brand trademarks. The company has realized the danger posed by its stiff competitors in the market all over the world. The initiative was launched in late 2007, and is still being implemented. A team of about 55 persons has been appointed to ensure that the process of IP protection is effective. The team is comprised of a number of trademark counsels alongside other specialists such as domain name officers, accounts, renewals, data managers, formalities and data processing staff (Kotler, & Armstrong, 2008).

An additional number of in-house IP specialists have been placed in about 25 countries and an external system of law firms has been recognized in almost all countries where the company offers its products for sale. These specialists are placed in order to ensure that the IP of the company is protected to the maximum and thus avoid unnecessary loss of sales. Single brands are now expected to be covering a wider geographical area such as a region, continent or the entire world (The taste you love since 1920 (and design). (2011).

SWOT analyses for Unilever Plc.

Unilever international has put more focus on the manufacture and distribution of personal and home care products in addition to food products. The company has also diversified its locations both geographically and brand portfolio, which makes its strong end. The recent and the ongoing acquisition and increasing markets for its personal care products strategies could form its principle strengths in the near future (Rawson, 2010).

Strengths

Dominant market place: Unilever has emphasized on developing a strong leadership position in the market place in all regions where it is in operation. This has been none of its main advantage since it has been able to attract and retain a large number of customers. For instance, the current statistics indicate that Unilever is the leading global producer and marketer of savory and dressings, ice creams, spreads and other food products. In mass skin and deodorant industry, the company is also the leading of its kind in the world, and holds the second position in production and marketing of laundry

products, especially in the new and upcoming markets. Currently, it is developing strategies to position itself as the leading marketer of household and oral care products in some selected markets within Asia, South America and Europe (“ Financial and Strategic Analysis Review”, 2010).

Geographical diversification: the geographical diversification of the companies operations has helped it lessen various risks that may arise out of political, economic and climatic factors. Currently its products are sold in over 170 countries located in Americas, Africa, Europe and Asia. The revenue obtained from these markets is quite high, with its 30. 2% of its 2009 revenue coming from European markets, 32. 27% from the Americas and a further 37. 4% coming from Asian, African and eastern& central European markets (“ Financial and Strategic Analysis Review”, 2010).. In the European and North American market, it is the leading producer and marker of spreads and margarine products. This indicates how the corporation has build strong regional and international markets through geographical diversification, and has the opportunity to alleviate risks.

Brand portfolio: the extensive national and regional brands developed by the company have helped it cater for the consumers’ diverse needs. The company has a wide range of products with different brand names, most of which are international while others are local brands. They are developed with an aim of reaching out for consumers with differences in regions, purchased power, cultural and other socioeconomic factors.

Efficient of use: In 2009, the return on equity was 27. 9%, and 50. 5% in 2008. This surpassed about S&P 500 companies by 12. 9% (“ Financial and Strategic Analysis Review”, 2010). This shows a strong efficient of use of resources

Weaknesses

Frequent product recalls: the company has suffered several occasions of product recall from the market, which has seen it incur extra costs in the process. Moreover, since the company is consumer product oriented, recalled products are almost always disposed off. This means that the loss incurred from such occasions are large. For example, in 2008, the UK Unilever branch recalled Bovril beef extract of 250g and 600g. Frequent recalls also affects the brand image and the perception of consumers towards the company’s products (“ Financial and Strategic Analysis Review”, 2010)..

Decline of market share in the sector: the annual growth rate has declined significantly over the last few years. In addition, revenue had been declining significantly between 2007 and 2009, and was attributed to global economic recession (“ Financial and Strategic Analysis Review”, 2010).

Limited liquidity position: The liquidity ratio has been limited, with declining cash from the company’s operations having adverse effects on the flexibility of finances. (“ Financial and Strategic Analysis Review”, 2010).

Declining operating margin: The operating margin declined by 29. 96% in 2009, and was lower than the operating margins of the preceding years (“

Financial and Strategic Analysis Review”, 2010). This has indicated that the company might be facing low profitability over the next few years.

Opportunities (“ Financial and Strategic Analysis Review”, 2010)

Emerging markets: at there moment, there are large number of potential markets that are growing very rapidly in Asia and the Pacific region. These countries have shown a sustained economic performance despite the prevailing world economic recession. For example, China and India are the two most populous countries in the world today, and have recently become economic giants, with high consumer purchase power. Unilever has operated in India for quite a long time, and has been in several regions within the country. It has also entered the Chinese market, and it is anticipated that it could gain a lot from operating in these areas (“ Financial and Strategic Analysis Review”, 2010).

Growing personal care markets: personal care market is rapidly growing throughout the world. it is expected that the industry could reach 19% by the end of the year 2012. The company has invested a lot in personal care industry, and could thus become the leading marketer and producer in the world (“ Financial and Strategic Analysis Review”, 2010).

Strategic acquisitions: the company could benefit more from acquiring other companies through agreements in various countries. The process of acquisition is much cheaper than setting up new units in various countries, since the equipment and personnel is always present. In addition, entering new markets through acquisition allows the company to utilize the already

existing strengths of the acquired company, and thus gain more in terms of sales and profitability (“ Financial and Strategic Analysis Review”, 2010).

Threats

Global economic recession: it is very challenging g for various multinational companies to sustain their levels of profitability at a time when global economic conditions are becoming increasingly unpredictable. For example, the economic recession experienced in the late par of the 2000s hit most companies, and could be recurring in the coming years (“ Financial and Strategic Analysis Review”, 2010).

Regulatory environment: the company has to abide with various legal regulations, which change with countries. This means that the corporation has to employ different marketing strategies in various countries. This is especially so because the company deals with very sensitive products such as medicine, deodorants, foods and beauty products, all which require regulations through various laws (“ Financial and Strategic Analysis Review”, 2010).

The stock market: Comparison of the Share Price between Procter and Gamble with Unilever

Both companies have traditionally involved each other in turf economic battles for domination in various household commodities and personal care items ranging from washing detergents to shampoo (Fridson & Fernando, 2002). However, in the last 10 years their portfolios seem to have diverged. Unilever is superior in food – where it has been competing with companies like Nestlé and Danone - while P&G has focused more on personal care and

beauty products, and is now actively competing with the likes of L'Oreal. Since 1996, Unilever's revenue has been on the decline, amounting to £27 billion in 2006 while in 1996 it hit £33.6 billion (The taste you love since 1920 (and design). (2011). However the company hit a positive side when it's operating profits 2.9 to 3.7 billion pounds due to the initiative of boosting margins throughout its operations for the last 10 years (DIANE Publishing Company, 2002).

Throughout the last ten-year period, P&G has been performing well, and almost doubled its sales to \$68bn (£34.5bn) nearly making triple its operating income to \$13.2bn (£6.7bn). Most of this is attributed to acquisitions, but its organic growth had also contributed a lot. The integration of the company with the renowned Gillette through \$57bn (£28.9bn) acquisition in 2005 is a major boost to the company. The P & G Company, which is headquartered in Cincinnati, Ohio, reported revenue of about 56.8 billion dollars in 2005. This came from sales in its branches located in over 160 countries, with the first half from the domestic (American) market and the other half from the international market (Keller, 2010)..

Currently, P&G is marketing above 300 brands, 22 of which is made up of about one billion sales producers, and is owning Market Development Organizations located in more than 80 countries the organization has established itself in the seven continental regions. These include the Latin America, Northeast Asia, North America, Western Europe, Greater China and ASEAN/Australasia/India Central and Eastern Europe/Middle East/Africa. The

corporation has focused on selling its products through various outlets including grocery stores, discount stores, association club stores, high frequency stores, and through mass merchandisers (Peterson & Fabozzi, 2003).

Looking at the differences in the stocks share in the stock market, Procter traded at an average of 69.90 dollars at 16.2 times in the 2009 earnings. Unilever traded at 28.25 dollars at 13.7. This means that P&G ought to have traded at a premium to Unilever if the two corporations were equalized by sales and size. This is an indication of why price matters in soft products.

For the last ten years, the ratio of Free Cash Flow payout was below 60% and no negative for the free cash flow. The company had a Debt to Total Capital ratio of less than 45%. P & G has been earning credit in the official ranking of the four metric measured for the companies in America and Europe. The dividends have been payable to shareholders since 1800s, and it has been increasing its annual dividends played since then.

Unilever international has been performing at its lowest in history since 2008, while the previous six year period was characterized with increases in revenue and sales, and an accompanying increase in stock in the European and the American stock markets (Gitman & McDaniel, 2008). For instance, the 2000 to 2006 performance in the stock market had increased rapidly by an average of 18 %, but which was followed with dismal performance (Piotraschke, 2009).

The 2007 to 2010 performance was lowest probably due to the global economic recession during the period. However, the 2010 analysis shows that the company had again regained its position in the global stock market after its sales increased rapidly since the end of 2009 fiscal year. This was attributed to reorganization of the corporation within its head offices in the UK and Netherlands, as well as the recovery of the global economy (Black, 2009).

Viewpoints of other parties

Researchers have anticipated that the company could be faced with both challenges and opportunities as it enters new markets and tries to develop new strategies. They have argued that Procter and Gamble has the best opportunity in expanding its sales beyond the current market scope.

However, there are several threats facing almost all multinational corporations. For instance, the frequency of world economic recessions is expected to be high, and that it will be difficult to predict such occasions. Unilever has been described as the biggest market challenger to P&G, given its large and diversified markets and its strategies aimed at acquiring new markets (Woodard, 2010).

Procter and Gamble has been shown to have an advantage over its competitors due to its advertisement strategies. For example, it has entered into trade agreements with various advertising corporations, including renowned organizations like the Oprah Winfrey communications (Woodard, 2010). Such strategies are aimed at increasing awareness of the products among the social segments in which the company recognizes as the target

market. It has been shown that P & G has gained a lot of female customers from its agreement with The Oprah Winfrey communications (Woodard, 2010).

Discussion and recommendations

Since Procter and Gamble has already strengthened its' American and western European markets, it is the time that more focus should be put on emerging but very potential markets. Asia and Eastern Europe, for example, are considered the new economic powerhouses in the near future. China and India are the two most populous nations in the world today, and their economic statuses are gaining each day. On its part, china has become a leading economy, not only in the region, but in the world, while India has become one of the most industrialized second world nations (Beiske, Murray & White, 2007).. The purchasing power in these nations is increasing, and therefore the company could gain more if it attempts to increase the number of outlets in them.

In addition, smaller but well performing economies should be considered for market gains. Just as Unilever has focused on second and third world economies, P& G should consider entering these new markets. South Korea, South Africa, Egypt, Arab world and the Middle East are some of the regions that have well performing second world economies, and in which the company should get new markets. Moreover, some third world nations are equally potential markets. For instance, the East African economic block (Kenya in particular), Nigeria and Ghana are some of the nations that have

large populations and well to do economies, but in which there are few competitors (Fabozzi & Peterson, 2003).

Acquisition of new companies rather than creating new creating new retailers can be a potential way of increasing marketing outlets in new areas, and also an effective method of reducing competition. Unilever has been using this strategy for quite sometime, and it is quite clear that it has reduced expansion costs significantly (Wubs, 2008).

Conclusion

Unilever international has several strengths, which aids it to beat most of its competitors in the market. The company's strategy of diversification of products and geographical locations world wide has seen the company alleviate risks while at the same time increase sales. Branding has also helped the company's to improve its financial performance by a large extent (Park, 2010). For instance, regional and local brands seem to be very popular among local consumers, and thus create customer confidence. In addition, this strategy allows the company to meet local consumer demands, tastes and preferences. However, frequent recalls and economic recession has greatly reduced profitability in the recent past (Grant, 2005).

From these detailed observations, it is quite clear those businesses in the modern world, specifically multinational retailing and manufacturing companies, should focus more on diversification of retail outlets and brands. This allows for distribution of risks. However, it is quite uneconomical to

create multiple brands for a single commodity since it may cause self competition (DePamphilis, 2009).

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