Recommendations for proctor and gamble essay sample

Literature, Russian Literature

Proctor and Gamble currently enjoys market dominance in many consumer product categories. One such category is the light-duty liquid detergent market where it commands a 42% market share. The introduction of new brands, such as Dawn in 1976, has been a key reason why P&G has achieved this share and growth in the LDL business. Currently, P&G is looking to further grow this business and capture more market share. P&G acknowledges that the LDL business is experiencing slow growth mostly due to the attrition by users to automatic dishwashers.

Therefore, P&G aims to increase volume sales by drawing customers away from competition or by addressing unsatisfied market needs. The LDL market is comprised of three segments: mildness, performance, and price. There are three feasible alternatives for P&G to consider. One is to introduce a new brand that expands the mildness or performance segments, to introduce a new brand to enter the price segment. P&G already has products, Ivory and Dawn, that address the mildness and performance segments.

Market research also does not show significant growth potential in these segments. The price segment of the market is a potentially fickle with no clear evidence of brand loyalty. Another possibility is to create a new brand centered around the H-80 scrubbing formula aimed at tougher cleaning jobs. However, creating a new brand has the potential to cannibalize sales from other P&G products and also is the costliest of all options. Therefore, a new brand appears to be the riskiest choice. Another alternative is to increase advertising of existing products.

However, further market research would be necessary to determine if potential buyers are not already being reached and whether there are other reasons consumers are buying from competitors. The recommended alternative is to create a new variety of an existing brand, Dawn. This new variety would contain the H-80 formula thereby fulfilling need for a higher performance product but not incurring the costs of a creating a new brand. Introduction In 1981, the light-duty liquid detergent (LDL) market generated $850 million in sales.

Proctor and Gamble (P&G) controlled 42% of this market, with Colgate-Palmolive company and Lever Brothers taking 24% and 7% respectively. The remaining 27% of sales went to generic and private-label brands. P&G is evaluating different ways to grow the LDL business and capture some of 58% market share currently not under their control. The LDL market can be broken down into three segments: mildness (products that are mild to the hands), performance (products that clean the best), and price (products that are low cost). P&G currently offers three products in the LDL category: Ivory, Dawn and Joy.

Ivory has been positioned more towards the mildness segment and Dawn for performance. The positioning of Joy has been more ambiguous. Originally, Joy targeted the mildness segment when that segment was growing. As performance became the more preferred attribute, Joy was repositioned to address that market. At the same time, however, advertising emphasized unrelated factors such as the shine provided and the lemon scent. Hence, Joy has not had a clear positioning as Ivory and Dawn which may explain why its sales lag the other brands.

P&G directly addresses the first market two segments, mildness and performance. P&G has chosen not to directly address the price segment, instead opting to indirectly target that segment through its message about Ivory. P&G has marketed Ivory as a good value through its quality. So while being more highly priced than other products, advertising claimed that it cleaned more dishes per penny than price brands because of its higher-sudsing formula. Therefore, it is a higher value despite the higher price.

Market research (see exhibit 6 of case study), shows that from 1971 to 1981, growth trend in performance was more significant than that of mildness and price. This P&G was wise to focus attention on the performance segment through the introduction of Dawn. However, growth projections from 1982 to 1986 do not reveal any significant changes or shifts in growth of any of the segments indicating stability of market segments and consumer preferences. One issue jeopardizing the growth of the LDL market is the increasing use and adoption/penetration of automatic dishwashing (ADW) machines.

ADW households used half as much LDL as non-ADW households. This obviously decreased the demand for LDL products as is hindrance to the growth opportunities in the LDL market and is predicted to be as small a 1%* over the next five years. P&G would like to grow the LDL business. It is in a tough position as the growth potential in this market is low for reasons sited above. Mr. Wright and P&G management understand that this is best accomplished not by increasing overall sales of LDL products, but by taking over some of P&G's competitors' share of the market which is currently 58%.

As an established company, P&G has several competitive advantages that can facilitate accomplishing this. P&G can enjoy economies of scale and had the facilities to quickly introduce a new product or make changes to an existing one. In addition, P&G has a deep understanding of consumer business. This understanding coupled with years of experience has enabled P&G to create and run an effective organization whose structure is tailored to developing, marketing, selling, and manufacturing consumer products. It is this structure and operation that is perhaps P&G's biggest competitive advantage.

P; G's five major organizational parts advertising, sales, finance, manufacturing, and product development, is characterized by a high degree of quality intercommunication. This enables each group to make well-informed decisions with the benefit of information from other groups that impact the overall business. For example, the brand group interacts with sales group which is important since the sales group does more than sell; they spend time understanding customer issues. The brand group also works with the product development department to ensure continued improvement of product quality and in exploring new product formulations.

Likewise, the brand group also interacts with Finance and Manufacturing and importantly, upper management which is critical in communicating ideas, status, to the ultimate decision makers and company drivers. Overall, a unified purpose and common set of objectives can be seen across all departments. Each department is committed to improving the business, developing the best quality products. Brand management knows the most about the brand, spending much time in developing the marketing plan for the brand.

The marketing plan includes volume objectives, marketing support levels, strategies and tactics. The plan reflects a substantial number of activities: analysis of previous business results, study of competitor performance, forecasting competitor marketing expenditures and sales, forecasting P&G brands performance, review of past promotional plans review, developing media plans, budget planning and more. Advertising managers are promoted from brand organization so they have good understanding of brand before tackling adverting. A change was made in 1981 so that one advertising manager for all brands.

This is probably a smart move ensuring that a complementary strategy is implemented for all brands and reducing the chance that brands end up competing with each other. P&G does high quality research and market analysis. P&G is the leader in 14 of 24 consumer categories. There is a high penetration of P&G into households as 95% homes have P&G product leading to a high name value and recognition. The success of P&G can be attributed to wise, prudent and conservative management, thorough analysis, innovative, marketing expertise, reputation, and talented employees.

Mr. Wright therefore has the benefit of competent organizational structure and input from brand managers who know the business and their brands positioning extensively. He can be assured that data and suggestions he receives are highly thought out. He has used this input along with his own insight to come up with three possible ways to grow the LDL business: (1) introduce a new brand (2) improve and existing product (3) increasing marketing expenditure on an existing product to increases sales. Analysis The introduction of new products or brands in LDL category has historically resulted in an increase in sales volume.

The question though is whether this tendency is still possible in 1981 and how much more expansion is possible. Wright seeks not so much to increase overall volume of LDL market but to take customers away from competition. This is probably the better approach given that growth is not projected to be substantial. P&G experienced great success and growth due to the introduction of the Dawn brand on 1976. Mr. Wright in part is recalling the success of Dawn in looking towards other growth opportunities.

In summary, Dawn was introduced specifically to meet demand in the performance segment. By, 1981 it help a 14. % market share. Dawn was able to gain market share by capturing 70% of its volume from competitors brands while 30% was came from existing P&G brands. So while there was some volume decline in existing P&G brands, overall P&G volume still increased. Dawn’s rapid growth was attributed to its patented grease-cutting formula. Dawn clearly filled a market demand that was not met with either competitors nor P; G’s own brands. It is important that Mr. Wright consider the differences between the market opportunity with Dawn in 1976 versus the opportunity today. Dawn addressed a specific market need, performance.

There is possibly a need now for a higher performance product, but nevertheless this is not necessarily a unique market opportunity in comparison to the demand for a performance product overall as was the case in 1976. In addition, the ADW market was less of a concern back then. In summary, while the success of Dawn can certainly be considered, it should be noted that the level of this success probably can not be emulated. Mr. Wright, using input from LDL brand managers and his insight, has come up with three viable growth opportunities. The first is to create a LDL in one of the three market segments.

P&G could address the price segment by creating a new brand, more inexpensively priced brand. 27% of P&G sales is lost to generic brand whose advantage is price. So this is clearly the biggest segment that P&G could go after. P&G tried to address this segment by advertising the value element of Ivory. While it is more expensive, it provides better value for the money overall through higher quality because less substance is needed to do same job. The problem with this approach is that consumer has to be more savvy to realize this and many simply will go for the cheaper product and view that as a greater value.

Also, there is the risk of customers moving away from P&G’s higher end products like Ivory to the cheaper brand. This is especially true if customers perceive P; G products as high in quality. The consumer could view the new brand as providing desirable amount of quantity at a lower price. Company research (see exhibit 10), shows that a only 40% of users of generic brands associate so called price brands as giving the best value for money. One would expect this percentage to be much higher. In fact, price brand users did not rate any feature strongly for generic LDL brands compared to the responses from name brand users.

Clearly, when compared to name brands, there are no strong preferences or favorable features seen in the generic product. This could indicate that this target market is not the type to develop brand loyalty. They may simply be buying any brand they see or the least expensive option available and are not concerned so much with features as they are with just getting their dishes washed. So the risk for P; G when entering this market, is that this behavior may not change, and consumers may not develop loyalty to a lower priced P; G brand.

The P; G brand could be one of several that the consumer chooses and what they choose could change with each purchase. Further market research would need to be done to see if this segment will be loyal to a lower priced, brand name product. But once again, lost sales from the higher end needs to be considered. P; G considered high quality company. So furthermore, the perception of a high quality product at a lower price could further take away customers from its high-end brands.

Another option for a new brand would be one that targets the mildness segment. While the Ivory product addresses mildness, it captures only 15. % of the market while another 21. 5% of the total market share that targets mildness is captured by competitor brands (See exhibit 8). So there is potential market share that P; G could take away in this segment. In addition, exhibit 19 shows that the most desired improvement to LDL's is to be milder on the hands. However, this only amounted to 11% of the consumers surveyed. Also, this market has not seen significant growth. Exhibit 6 shows how the growth trend in the mildness segment reduced from 44% in 1973 to 37% in 1981 and is projected to be fairly flat from 1981 onwards.

Some LDL brand managers in P&G expect the performance segment to continue to grow at the expense of the mildness segment. The final option for a potential new brand is one that uses the HD-80 formula. This brand would clearly address the performance segment. The risk however, with such a brand, is the potential of cannibalization of sales from Dawn. In addition, market research shows that only 8. 3% of the market share not captured by P&G is lost to the performance. But performance is still a highly desired LDL attribute and it is possible that current brands to not achieve the level of desired performance.

Exhibit 7 shows that high importance given to performance related attributes. 87% of respondents to a survey indicated " Cuts Grease" and 75% indicated " Does a good job on pots and pans" as most desired LDL attributes. So there is some growth potential in this segment. Of the three possibilities for a new brand, this one is the most viable. An alternative to creating a new brand, would be to improve an existing one. Once again, the H-80 formula should be considered. The same pro arguments described above with regards to creating a new H-80 product would be applicable here.

Exhibit 8 shows that 52% of surveyed respondents indicated “ Good for tough cleaning jobs” as a most desired LDL attribute. While this is not an overwhelming number, it may be enough to warrant adding the H-80 formula to an existing brand rather than creating a new H-80 brand. In addition, the case study sites that the scouring pad market is $100 million which shows that stubborn, more intense cleaning is an issue for consumers. These numbers suggest enough evidence of a latent demand among consumers for a high performance LDL.

The risk with this choice is that users of the improved product may come from existing users of P&G’s current performance offering, Dawn. A relaunch of the Joy brand was suggested by the brand group in charge of it. They have proposed implementing a “ no spot” formula as a new technological break through had been developed that causes water to “ sheet” off dishes, thus leaving less spots. This technology has also allowed the cost of goods for Joy to be reduced by $3 million dollars. The brand relaunch would cost $10 millions dollars with the added advantage of no additional capital investment required.

So relative to others, this is a cost effective opportunity. However, the potential volume growth of Joy must be considered. For reasons mentioned above, Joy mainly targets scent and dish shine, a segment that is not substantial and not even considered as a major LDL segment. In addition, survey information (Exhibit 7) and other market research shows that these characteristics are not that important to consumers to consumers compared to others. The final alternative to consider as a growth opportunity is simply to increase advertising of existing brands.

This is clearly the least expensive choice requiring only a $4 million investment. The objective would be to capture some of 21. 5% of the mildness segment and 8. 3% of the performance segment controlled by the competition. Effort to build volume of existing brands. However, there is no evidence to indicate that the target consumers are not already being reached through current advertising. More market research would need to be conducted to determine the advertising penetration and to explore consumers reasons for choosing competitors brands.

It is quite feasible that there are other factors than advertising involved. Conclusion The growth opportunity in the LDL market is limited due to market saturation and movement of LDL users to automatic dishwashers. However, P; G controls 42% of the market so there is potential growth by taking away competitors market share. To this P; G can create a new brand, improve an existing brand, or increase marketing expenditure of existing brands to increase volume. P; G's organizational function is a major competitive advantage.

For this reason, it would be easier for P&G to launch a new initiative than for it's competitors and meet with a higher likelihood of success. If creating a new brand, a new high performance brand using the H-80 formula make the most sense. But the growth potential is not large enough to warrant an $80 million dollar investment: $20 million in capital investment to over additional production and new bottle molds and $60 million for introductory marketing expenditures. This expense does not seem cost effective in light of the small growth potential projected in the performance category.

Of the 58% market share that P; G does not control, 27% is taken by generic price brands. While P; G could try and compete with such brands, it may be difficult to build brand loyalty in this category. The remaining 31% is controlled by Colgate-Palmolive and Lever Brothers. Market research does not give a clear picture as why consumers in this group have selected competitor products. The factors addressed by these alternative brands that consumers indicated are mildness and performance, both factors of which are addressed by P; G. P; G could try to capture this market though increased advertising.

However, it is not clear from the evidence provided, advertising would persuade these users, nor that advertising is not reaching them. It is likely that they are brand aware and P; G advertising is reaching them but simply prefer the other brands. Recommendations P; G would benefit from further research of competitor brands to see what attributes it may be overlooking in its own brand. Also P; G should determine if there is potential for brand loyalty among generic/price brand users. Barring any surprising discoveries from this suggested research, my recommendation is for P; G to improve the Dawn brand.

The current Dawn brand should not be replaced, but rather a second variety of Dawn should be introduced . The new variety of Dawn could be called " Extra-Strength Dawn" for example. This variety of Dawn would contain the H-80 formula and should be marketed to a sub-segment of the performance market interested in a product that attacks more deep, difficult to remove residue. The new extra-strength Dawn would be priced higher than regular Dawn. Since the market demand for this type of brand is viable but not overwhelming, it makes more sense to improve on the existing Dawn brand rather than creating an entirely new brand to mitigate risk.

There is potential and likelihood that users of extra-strength Dawn would be existing Dawn users, thereby shifting usage rather than creating a new market. Likewise, volume sales of the new product could come from existing Dawn users. This would effectively negate any growth. However, it has been shown there is a $100 million market for soap-filled scouring pads. So there is evidence of a need and perhaps latent demand for a stronger performance from LDL's. Therefore, a portion of sales could come from scouring pad users. Furthermore, print and television advertising should explicitly make this point.

For example, a television ad showing a housewife exerting considerable effort in scrubbing a pot vigorously with a pad and then being shown the alternative of using H-80 formulated Dawn as an easier cleaning solution, would be an effective visual to get the effectiveness of the new Dawn across to viewers. A final suggestion would be for P&G to be more definitive on how much it wants to increase market share by and determining specific percentages or ranges of how much of it’s competitors’ sales to aim to take away. This may make help define P&G’s strategy and a develop a plan to meet the desired objectives.