

# Procter gamble p and g marketing essay



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Procter and Gamble (P&G) was formed by William Procter a candle maker and James Gamble a soap maker on the 31st of October 1837. It is an American multinational consumer goods manufacturer and one of the largest in the world. It has its headquarters in Cincinnati, Ohio USA and manufactures products ranging from beauty and grooming, pet food and household and fabric care, baby and family home care products.

Between 1858 and 1859, P&G had about 80 staffs and their sales reached \$1million. It won several contracts from the Union Army during the American Civil War to supply candles and soap. Apart from the profit it made during the civil war, it expanded its market by introducing military personnel all over the country to P&G products.

## **Operation and brands**

In recent years, P&G has become an international corporation by acquiring different companies.

P&G became an international corporation in 1930 after the acquisition of Thomas Hedley & Co based in England.

It introduces several new brand names and products like Tide detergent in 1946, Prell Shampoo in 1946 and the first tooth paste to contain fluoride branded Crest in 1955. P&G purchased Charmin paper mill in 1957 and started marketing products paper products like toilet rolls (Charming).

Procter and Gamble operates in about 80 countries and is well known in about 180 countries. It has 50 brands which most of them are well-known products. These brands amount to more than 90% of P&G's sales and profit.

26 of its leadership brands produces more than a \$1billion each in net annual sales. (P&G, 2012).

Some of P&G's strongest brands includes Always, Ariel detergent, Bounty, Charmin, Crest, Downy, Gillete, Lams, Olay, Pampers, Pantene, and Tide. It used to produce food and beverage products prior to the sales of Pringles to Kellogg Company for \$2. 7 billion in 2012. Pringles was one of P&G's major revenue driver with a sales of about \$1. 5 billion yearly. It was the only food business after the sales of Jif peanut butter and Folgers coffee to Smucker's in recent years. P&G is no longer in the food business, it is laying more focus on personal care and beauty products. (Reuters, 2012)

## **Manufacturing Operation**

P&G manufacturing operation spread around 5 different regions. (P&G, 2012)

Regions

Details

Regional Headquarter

Countries

Asia

The world faster growing economy and home to over 3 billion customers

Singapore

China, Japan, Korea, Hong Kong, India, Australia, New Zealand, Indonesia, Philippines, Singapore, Taiwan, Vietnam, Thailand, Sri Lanka, Malaysia, Bangladesh

Central & Eastern Europe, Middle East And Africa (CEEMEA).

P&G's largest Geographic regions.

Geneva, Switzerland

The Balkans, Central Europe North, Central Europe South, Eastern Europe, Middle East, Sub Sahara, Turkey/Caucasia And Central Asian Republic.

Latin America

With presence dated back to 60 years.

Panama City

14 Countries

North America

Cincinnati, Ohio, USA

Over 25 manufacturing plants

Western Europe

With presence dated back to 1930. P&G has presence in ever western European country.

Geneva, Switzerland

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4 Countries.

United Kingdom, Belgium, Germany and Italy

Procter & Gamble recorded a sales of \$83.68 billion in 2012 and was listed on the spot of “Global Top Companies for leaders” in Fortune Magazine. It is also at fifth place of the World’s Most Admired Companies” list and named the overall best company for leadership development on the list of the 2012’s “40 Best Companies for Leaders” by Chief Executive Magazine. It has also received several awards which includes the “World’s Most Admired Companies” and Top MBA Employers from Fortune, “World’s Most Respected Companies” from Barron’s, “Best Place to Work” from Glassdoor.com, and “The World’s Most Attractive Employers” from Universum. (P&G, 2013).

### **Case Study Overview.**

In recent Years, P&G has been us The ‘environment’ is everything happening in the world outside that

There are numerous factors that affects the decisions of managers of a company. Examples of macro environments are new laws and government policies, trade barriers, tax changes, social changes.

To help examine these factors, I would be using the most popular external environment analysing model known as PESTEL which stand for political, economic, socio-cultural, technological, legal and ecological environment (thus the acronym PESTEL).

This coursework will focus on the macro (external) and micro (internal) environments that have major impacts on Procter and Gamble. A PESTEL analysis on P&G will be done to the macro environment.

### **Analyse the macro business environment in respect of P&G group and identify the factors that will have significant impact on Group's business.**

The success of any company does not reply only on the efficiency and management methods of the company. There are other factors involved the market performance. The macro environment contains the external and uncontrollable influence that might affect the market performance, strategies and decision making of the company.

As Baines (2011) describe: " The operating environment for all organisations is never static and seldom entirely predictable, and can therefore profoundly affect a company's course of action."

Strategic management experts stated that for a company to achieve a competitive advantage, its needs to follow strategies that develops existing capabilities, resources and formulate strategies that develops extra capabilities, resources. (Hill & Jones, 2010)

### **PESTLE Analysis**

All combined the macro environment factors analysis will be known as PESTEL. Macro environment factors are beyond the control of an organization. This is because those factors are positioned outside the organisational system. Those forces are the prime factors in corporate strategization i. e. determining the objectives of an organisation, its drive for

profits, its projection for future sales as well as a protection step in preventing any losses or problems. According to Lowe and Marriott (2006, p. 181), macro factors are the major trends

## **Strengths**

Verities of business segments (6 operating segments).

One of P&G's major strength is the large scale on which it operates. It produces over 300 different product and leading globally in different categories of products like beauty and health, fabric, baby, personal and home care products sold in about 180 counties in the world.

P&G strong brand man is one of the most successful due to its solid branding.

Most of P&G's products are not for all seasons

Leading globally in detergent, diapers, care products.

Has industry experience of over 170-year, international operations for over 25 years and extensive experience in personal and oral hygiene products.

P&G is one of the world best marketers has it has a wide experience in marketing in different market sectors.

The acquisitions of leading of beauty and health care companies in the products in Europe.

High gross profit margin. P&G's profit margin is 15 times the industry average.

P & G is known for investing greatly in research and development for improving and developing new products.

## **Weaknesses**

Ability to achieve business objectives dependent on how well can respond to local and global competitors

Face risks with significant international operations

A failure of a key information technology system, process or site could have a material adverse impact on our business

Price paid for commodities and other materials subject to fluctuation 7

## **Production cost**

**Production capacity for the demand on the first years.**

**Leads times for alternative pack sizes and designs.**

**Work capacity.**

**Different culture, wants and needs of customers.**

**Unable to protect imitation P&G's innovative products and marketing strategies of competition**

**Competitors had pre-empted them in national markets where the local subsidiary was constrained by budget or organizational limitations.**

- Many of the top brands of P & G are losing their market share rapidly. In online media leadership and presence P & G is lagging behind.

- The beauty and health products by P & G are mostly for women.



- P & G does not make and offer any private label products for the retail customers and is, missing an opportunity.
  
- The large scale operation of the company makes the culture heavy and processes slow. This also leads to quality control problems.
  
- P & G does not divest its weak or poor brands.
  
- The major customers of P & G are located at some of the places and it concentrates heavily as them.
  
- When P & G acquired Clairol business in year 2001, it was unable to grow this business. The Clairol Herbal Essence brand failed to enter new markets as the market had access to better and innovative products. This shows weakness of P & G in the beauty care division.

## **Opportunities**

- Research and development efforts (\$2001 million spent on R&D in 2011) to develop technology and obtain patents
  
- Worldwide reach and potential to expand into even more countries

**The growth of the shampoo and conditioner market.**

**The increase of hair washing products.**

**The undeveloped conditioner market in Europe.**

**The experience and the leader positioning of the new companies that P&G bought.**

**The Know-how of the success of Pert Plus in the US market**

- An opportunity for P & G is health and beauty products for men. With the acquisition of Gillette, the company now has several growth opportunities in this market segment.

- P & G has doubled its Environmental Goals for the year 2012 and thus, promises more value for the environment concerned customers today.

- Using the online social networks and internet marketing techniques is also an opportunity for P & G.

- Divest brands that are not in accordance or do not meet P & G's long-term goals

- Company is constantly trying to pursue growth overseas.

## **Threats**

· A material change in consumer demand for products could have a significant impact on business

· Business is subject to legislation, regulation, and enforcement in the U. S. and abroad

**The number of suppliers and brands, the European market was even more crowded as US.**

**The top and bottom price classes was even bigger than the US.**

**Difference between prices for the same quality.**

**Many important competitors.**

- There is a cut throat competition in the fast moving consumer's goods markets today. Companies like Kimberly Clark, Unilever, Johnsons & Johnsons and Colgate-Palmolive etc pose a serious threat to its market share in different countries.

- The competitors are making their product portfolios diverse day b day and using different marketing and promotional strategies to increase their market share.

- In the market many substitutes are available for P & G products at cheaper prices.

- The private label growth is also a serious threat to the P & G's market share.

- Due to recession, the consumer spending has decreased globally. Also, the prices for raw materials are increasing so cost to the company is increasing

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