Private International Institute of Management and Technology
*In Partnership with International University of Leadership*

# MASTER THESIS

## THE ROLE OF PRODUCT INNOVATION IN BULDING A CUSTOMER BASE CASE OF P&G

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## Acknowledgements

In the name of Allah, most Gracious, most Merciful. The praises to Allah, the Lord of theworlds, and the sequel is for those who keep their duty unto Him, further, herewill be no hostility except against wrongdoers. Blessing and solution be upon the most honorableprophet and messenger, His family all His disciples, and those who follow them in goodness tillthe Day of Judgment. And we offer our expression of gratitude to Allah, due to His favor andcharity

# CASE OF P&G PRODUCT

## INTRODUCTION

Today, increasing globalization and increasing competition does not allow non- innovative companies to create sustainable competitive advantage. In order to stand, the companies require to have both knowledge-based assets and to restructure those assets according to the changing conditions of the day. For innovation, ensuring information from internal and external sources have a significant role to be increased innovative capacity . That's why companies are needed to develop constantly new products, services, business models, technology and know-how.

Companies in developed countries, have managed to be innovative by using its R & D resources for many years. But the because of the changing market conditions and , because the R & D studies are only produced patents and technology without turning into salable products and services in the market, the phenomenon of open innovation emerged.

Open innovation is an innovation method of approach used for many years in developed countries. Joint R & D collaborations and university technology transfer agreements are somehow widely applied in developed countries since the 1980s. In this study, the open innovation concept will be defined will focus on projects developed by P & G (which is one of the world's largest open innovation practitioners), in this area.

### Problem Statement :

The report presented here addresses the problem of '' The role of product innovation in building a customer base case of P&G "

This research explores P&G's "Connect and Develop" open innovation initiative. Its focus is to analyse this innovation strategy in the context of the formal academic theory, other P&G's programmes and the company situation. Its objective is to understand the impacts, challenges and problems of implementing a large open innovation initiative inside a corporate giant such as P&G.

## COMPANY OVERVIEW P&G

Procter & Gamble, also known as P&G, is the biggest consumer goods company in the world. Principally manufactures laundry and cleaning supply products as well as products in the cosmetics and personal care sector. The company's birthplace back to the year 1837 when it was founded by William Procter and James Gamble in Cincinnati, Ohio, where the company's headquarters still remains.

## BACKGROUND

Proctor and Gamble was founded in 1837 in Cincinnati, Ohio by William Proctor and James Gamble as a soap and candle producer (Datamonitor, 2008). Proctor was an English candle-maker and Gamble was an Irish soap-maker. Both men had immigrated to the U.S. and met by chance when they married sisters. In the wake of the 1837 bank crisis, the men combined their businesses to form The Proctor and Gamble Company with an initial investment of less than $10,000 (Dyer, Dalzell & Oleario, 2004). Cincinnati was selected as a strategic location for the business since the city was nicknamed "Porkopolis" due to the sizeable number of meat packers in the vicinity. Animal by-products were essential for soap and candle making, and the large supply available meant that these inputs were relatively cheap. Cincinnati also proved a strategic location as it became a central trading artery where the Ohio and Mississippi rivers converged. Later, a railroad line connected Cincinnati to the Great Lakes further extending the company's reach (Dyer et. al., 2004). By 1890, the company's location made possible efficient production and distribution of its 30 different brands of soaps (Datamonitor, 2008).

The 20th century saw continued success for the firm (Dyer et. al., 2004). In 1915, P&G opened a facility in Canada representing its first international operations. A chemical division was created during 1917 and 1918 which was responsible for research and development of new products. To sell these new products, P&G created a marketing department in 1924. The purpose of this department was, "to study consumer preference and purchasing habits" (Datamonitor, 2008: 7). In 1926, Camay, a perfumed bar of soap, was introduced. By the end of the 1920's P&G no longer produced candles, thereby signaling a major shift in the company's core business. Proctor and Gamble made another major business change in 1930 with the acquisition of its first overseas subsidiary located in the United Kingdom that produced Dreft, which was introduced in 1933 as the first synthetic detergent. This acquisition led P&G into hair care products. In the early 1940's P&G established a drug products division which also developed and sold a variety of toiletry items. In 1946, Tide emerged along with Prell to anchor the company's health and personal care division. By 1948, P&G had created a division to manage the

company's growing international business. During this time, Mexico, Europe and Japan became central to the company's expansion efforts. In 1957, P&G purchased Charmin Paper Mills moving the company into the paper products market. In 1963, P&G continued to diversify with the purchase of Folgers Coffee. In 1973 P&G purchased Nippon Sunhome Company, launching P&G in Japan. By 1983 P&G entered the feminine product market with the "Always" and "Whisper" products. While P&G was acquiring businesses, introducing new products and entering new markets, the company had not stopped innovating on its established products such as Tide. Tide liquid was launched in 1984. The following year, P&G purchased Richardson-Vicks, adding Oil of Olay and Vicks medications to the company's expanding portfolio. During this time, P&G also purchased Blendax, a popular toothpaste brand in Europe. As the 1980's were drawing to a close P&G made a significant move in Asia by entering into a joint venture to produce products in China (Datamonitor, 2008). During the 1990's the company began to aggressively purchase cosmetic and fragrance companies and products. During this time, the company purchased Old Spice, Covergirl, Clarion, and Noxzema. In 1994, P&G purchased Schickedanz, a German paper company. With this purchase, P&G introduced its paper products in Europe. To manage the company's growing international business, P&G decided to group international business activities into four regions: North America, Latin America, Asia, and Europe/Middle East/Africa

With the 21st century on the horizon, P&G continued to expand its portfolio as a consumer goods leader (Datamonitor, 2008). In 1999, P&G purchased Iams Company, a pet food producer. In 2000, P&G received approval from the Food and Drug Administration for Actonel to prevent and treat several types of osteoporosis. In 2001, P&G moved into the hair color and care segment with the purchase of Clairol. This led to purchase of the professional hair care line Wella. P&G purchased the GLIDE dental floss business in 2003 to expand its health and well-being portfolio further. In 2004, P&G enhanced its market in Spain with purchase of the commercial business Grupo Vita. P&G also divested its holdings in the juice industry with the sell of Sunny Delight and Punica. P&G quickly followed up the sale with plans to purchase the Gillette Company in 2005. In 2006, P&G opened a large Gillette manufacturing facility in Poland. Also in 2006, the P&G brand Duracell purchased Garrity Industries, a maker of lighting products (Datamonitor, 2008). In early 2007, P&G invested $35 to $50 million in its Gillette manufacturing facility in South Boston. At the same time, it announced a restructuring whereby Gillette and Braun would be rolled under the P&G Beauty and Health division, and Duracell would be managed under the P&G Household division. At the same time, P&G purchased HDS Cosmetics Lab, a skincare line that focuses on specific skin conditions that require more attention than general cosmetics. Also in 2007, P&G worked out an arrangement with Dunkin Doughnuts to sell the Dunkin Doughnuts coffee line in retail stores (Datamonitor, 2008).

Historically the company had been divided into three Global Business Units. In May 2007 P&G decided to realign these three business units. The units changed in July 2007 from Beauty and Health, Household Care, and Gillette; to Beauty Care, Global Health and Well Being, and Household Care. By 2008, P&G saw positive sales growth from all of these divisions with an overall growth in net sales of 9%, diluted earnings growth of 20%, and free cash flow of $12.8 billion – well above industry benchmarks (Proctor & Gamble, 2008)

Continuous innovation has characterized P&G throughout its history. The result of this process of continuous innovation is the global powerhouse in consumer products today. It is argued that this success resulted from a series of strategic choices (Child, 1997) that P&G made over the past century and a half. Five of these choices are discussed in more detail as representative of the multiple strategic innovations that created sustained competitive advantage for the company. These five strategic innovations are: direct to consumer advertising, direct product distribution, marketing research, brand management, and technological and product innovation.

# Literature Review

## MARKETING RESEARCH

While direct distribution put P&G in contact with its customers, marketing research revolutionized not only the consumer products industry, but advanced marketing as a major business function by creating a direct linkage to customers. Marketing research began at P&G in the 1920's when, D. Paul Smelser, a Ph.D. economist from Johns Hopkins, established a marketing research department (Dyer et. al., 2004). He joined P&G in 1924 with the principle duty of price forecasting. However, Smelser routinely asked questions of P&G executives that they could not answer about company products and customers. Smelser believed that the answers to such questions would help P&G market its products more effectively. Smelser began working on answers to the questions himself. In a notable report, Smelser segmented Ivory customers based on income and background, and used this to offer advice and recommendations on writing advertising copy for the soap (McCaw, 2000). These insights translated into sales, so the company decided to establish a formal marketing research department in 1925, to be headed by Smelser.

Camay soap was the first product to integrate marketing research into its product design. Smelser had his team of researchers take test samples of perfume to different floors at P&G. The researchers were to ask women what they thought of the different smells. Smelser is quoted as saying, "all the perfume smelled like alcohol and thus we came to the great discovery that for a soap perfume to be really tested, it should be incorporated in soap" (Dyer et.al., 2004: 58). From this experience P&G realized

that prototypes of real products were vital for conducting marketing research. Smelser and his team next took bars of soap to housewives to see which bar design they liked best. Once they found a popular bar design they moved on to testing the type of packaging that would attract housewives. Retailers were then included to do test marketing by putting possible packages on display so that women could vote for their favorite package. Consumers had never before been intimately involved in development of a product they might one day consume (McCraw, 2000)

The success of Camay paved the way for women investigators in the marketing research function, which embedded a human resource innovation within an ostensibly marketing innovation. Women investigators joined P&G unofficially in 1929 and officially in 1931 (Dyer et. al., 2004). The first investigators transitioned from Crisco's demonstration field team to the research department. As marketing research continued to grow in value, Smelser began officially recruiting women investigators. The recruits were college graduates and their job was to conduct door-to-door surveys. The investigators would ask questions about cooking, dishwashing, laundry and other daily chores. While talking to an interviewee the investigators were not allowed to take notes, they were expected to listen carefully and then methodically take notes after the interview. Over Smelser's career more than 3,000 men and women served as field interviewers. In the 1960's, door-to-door interviewing was replaced with telephone interviews. By 1970, P&G was conducting 1.5 million interviews per year by a variety of methods (McCraw, 2000).

Ultimately the marketing research department grew dramatically and changed the whole concept of marketing in P&G and in business in general. The department weathered the Great Depression and World War II with its budget increasing from $45,000 in 1930 to $189,908 in 1942 (Dyer et. al., 2004). Today, marketing research is a vital part of marketing departments around the world. Proctor and Gamble's innovation shifted businesses from focusing on the company's products to focusing on their customer's needs and desires. This innovation specifically shifted P&G from a focus on what it wanted to sell to a focus on selling products that its customers wanted to buy - or from the so-called "selling concept" to the "marketing concept" (McCraw, 2000). Indeed, helping customers understand and bond with its products is what many observers would deem as P&G's most important innovation

## BRAND MANAGEMENT

As P&G moved from the 19th to the 20th century, the company's business activities were transformed by a new marketing innovation they pioneered called "brand management" (McCraw, 2000). Neil McElroy was the central person in the development of this concept at P&G and Camay soap was the focal product for this process innovation. A graduate of Harvard College, McElroy joined P&G in 1925.

The brand management concept was born out of his frustration with trying to market Camay. As McElroy was trying to market this particular soap product, he realized that he was also marketing and competing against other soaps P&G was producing along with external competitors (Dyer et. al., 2004). In 1931, McElroy expressed his frustration in a three page memo explaining problems with P&G's current business structure and recommending a way to address internal competition, and consequent cannibalization of other P&G products, through what became known as brand management (McCraw, 2000). McElroy believed that, "the company needed to formalize assignments of its marketers in brand–specific teams and to give these teams a large degree of autonomy in running specific marketing campaigns" (Dyer et.al., 2004: 60). Essentially, brand management provided a means for focusing attention on each of the firm's products as if it were a business, positioning brands to avoid direct competition with each other, organizing business functions around each brand, and decentralizing decision-making so that there was a team of people overseeing every aspect of the marketing and competitiveness of each product brand (McCraw, 2000).

McElroy argued that the advantage of brand management was that P&G would be able to differentiate its products and position them so they were targeted at different customer markets and thus were less competitive with each other than with competitor's products. The brand teams, as McElroy called them, needed to know everything about a specific brand, such as where sales were strong and where sales were weak. The teams also needed to be well versed in the product's past track record. The duties and responsibilities of the brand managers were to study and understand successes and failures and then apply successful tactics to other territories. This approach helped decentralize decision-making related to brands so that they were like separate business units, but ones that were coordinated with other P&G products/brands in a rational manner to avoid internal competition (McCraw, 2000). This insight fostered product differentiation whereby each brand was targeted at a different consumer market segment. Ultimately, P&G reorganized from a geographical territory centered company to a product brand centric firm (Dyer et. al., 2004) as is now common practice today in consumer sector businesses. Brand management has been called, "one of the significant innovations of American marketing during the twentieth century" (McCraw, 2000: 49). Brand management was a major force in shifting focus away from short-run profit maximization from a particular product to long-run brand value maximization from building long term brand equity based on customer loyalty. P&G learned that building and maintaining brand equity required constantly enhancing existing products and developing new ones that protected and extended brands. Developing technological and product innovation processes up to this challenge was another P&G strategic innovation.

## TECHNOLOGICAL AND PRODUCT INNOVATION

While process innovations in marketing and logistics have been a staple of P&G's portfolio of strategic innovations, P&G also pioneered many technological and related product innovations over its history. However, with rising global competition and a growing portfolio of brands to protect and grow; a systematic process for technological and product innovation became an imperative for P&G as it entered the twenty-first century. The "connect and develop" strategy for outsourcing product development is another strategic innovation P&G pioneered (Huston & Sakkab, 2006). The essence of this new approach was in, "finding good ideas outside the firm and bringing them in to enhance and capitalize on internal capabilities" (Huston & Sakkab, 2006: 4).

Traditionally P&G products were developed internally. However, P&G realized in 2000 that it could not keep increasing its R&D budgets sufficiently to innovate at a rate that would provide sustained growth. Mature companies need a growth rate between 4% and 6% to keep the company moving forward in value creation, which translated into about $4 billion of investment each year for P&G (Huston & Sakkab, 2006). The traditional internal "invention" or "closed innovation" model worked when P&G was a $25 billion company, but with revenues exceeding $80 billion, P&G needed a new R&D strategy (Huston & Sakkab, 2006). A.G. Lafley, P&G's CEO at the turn of the millennium, challenged P&G to reinvent the company's innovation model, as the company could not continue growing by simply increasing the company's R&D budget. Lafley set as a goal that 50% of the company's technological and product innovations would come from P&G's internal labs (closed innovation model) and the other 50% would come from outside the company through network partners in P&G's "connect and develop" strategy, signaling a shift to an "open innovation" model (Huston & Sakkab, 2006)

The "connect and develop" strategy helps P&G's systematically search for new ideas the company can use from around the world. To search for new ideas P&G monitors three environments: the top ten consumer needs, adjacencies, and technology game boards (Huston & Sakkab, 2006). The search for new products or improvements for existing products begins with a simple question - what do customers want? Proctor and Gamble has all of its strategic business units ask customers this question. Once the question has been answered, P&G compiles a "top ten list" of consumer wants. This list is then turned over to P&G's research and development function. P&G also looks for "adjacencies", defined as new products or concepts that can help P&G take advantage of existing brand equity (Huston & Sakkab, 2006). For example, P&G expanded its dental care line from a simple toothbrush and toothpaste to dental floss, whitening stripes, and electronic toothbrushes. Finally, P&G creates "game boards" or multilevel concept maps that show how innovating a certain product will impact other business units, brands, and products. Game boards help the company plot its strategic course and stay on target across its business portfolio. Once a new idea has been developed, P&G pushes the idea to its "how to" network (Huston & Sakkab, 2006: 4-5).

Proctor and Gamble has two types of networks – open and proprietary (closed) – that it tries to tap for new ideas, circulate new ideas for recommendations, and/or find potential technological solutions to solve problems presented by new ideas. Protor and Gamble's open network includes universities, government agencies, private labs, research institutions, venture capital firms, suppliers, competitors, and entrepreneurs. In its proprietary network, P&G has 70 technology entrepreneurs that work out of six "connect and develop" hubs around the world (Huston & Sakkab, 2006). These hubs are located in China, India, Japan, Western Europe, Latin America, and the United States. The entrepreneurs in these hubs are mining for new ideas or solutions to scientific problems presented by new ideas; and they mine for information from local universities to grocery store shelves.

Another valuable source of new ideas and solutions that P&G taps is its suppliers. Suppliers were found to be such a valuable product innovation source that P&G created a secure web platform to facilitate communication. P&G's top 15 suppliers have R&D staffs in excess of 50,000 researchers (Huston & Sakkab, 2006). Proctor and Gamble uses its secure web platform to send its top suppliers product briefs on issues that it needs help solving. Suppliers take the brief and begin working their sources for potential solutions. For example, if P&G wants to know how to make a soap's perfume last longer, the company can write a brief that suppliers circulate among their R&D departments and/or personal connections in the field. The supplier network has resulted in a 30% increase in product innovations (Huston & Sakkab, 2006).

Another type of network P&G pulls information from is its open network. Proctor and Gamble's externally focused open networks supplement its internally focused proprietary R & D networks. These open networks are primarily focused on technological developments that can contribute to product innovations. The open networks at the forefront of the "connect and develop" strategy are: NineSigma, Innocentive, YourEncore, and Yet2.com (Houston & Sakkab, 2006). NineSigma takes a P&G problem and writes a technology brief describing the problem and then circulates the brief among universities, governments, private consultants, and other resources. Once a possible solution has been identified, NineSigma connects the respondents with P&G. Proctor and Gamble says, "We've distributed technology briefs to more than 700,000 people through NineSigma and have as a result completed over 100 projects, with 45% of them leading to agreements for further collaboration" (Huston & Sakkab, 2006: 6). Innocentive, founded by Eli Lily and Company, is much like NineSigma except that it seeks to answer very specific scientific questions. For example, a certain scientific reaction might go through 12 phases and P&G wants to know if the reaction can be compressed into six phases. Proctor and Gamble's question is pushed to some 75,000 scientists and has a track record of approximately a 30% success rate in solving proposed problems (Huston & Sakkab, 2006). YourEncore was created in 2003 to create a network among some 800 retired scientists and some 150 practicing engineers

(Huston & Sakkab, 2006). In YourEncore the scientists solve the problem and the engineers build the solution. These projects are typically short lived with the scientists' contract salary is based on their preretirement salary. Proctor and Gamble typically has around 20 YourEncore scientists working on a variety of problems at any given time. Yet2.com was a venture P&G helped launch in 2000. This web site is a place where intellectual property can be exchanged, usually transferring knowledge from government or university labs to commercial labs. The site helps scientists write briefs about technology they have developed for license or purchase (Huston & Sakkab, 2006). Proctor and Gamble is then able to find uses for the technology they need for a new product or discover technological innovations that might spur ideas for new products.

While having a good idea is important, P&G has to know when to engage a particular idea and when to pass. To help evaluate ideas, P&G has several screens the ideas must pass through before acceptance for production and mass marketing. While P&G does not divulge specifics, the company explains that ideas are widely reviewed internally. First, P&G has a "eureka catalog" where technology entrepreneurs log new product ideas using a standardized product profile template (Huston & Sakkab, 2006). This description is then circulated worldwide among P&G managers and executives for evaluation. Technology entrepreneurs can also lobby for products they are particularly hopeful of seeing P&G test. Promising ideas go to global business unit managers that then evaluate them in relation to existing P&G businesses and/or brands. If the manager sees potential then the product ideas will be tested with consumers, and P&G's external business development group will start negotiating licensing, purchase, or collaboration with the owner of the idea or product.

The next step in the P&G process is to build employee buy-in (Huston & Sakkab, 2006). Prior to "connect and develop", P&G's product ideas were generated internally and were tightly held secrets. However, today P&G employees are asked to share critical information with third parties, which many employees are still reluctant to do. Many P&G insiders are afraid that R&D jobs could vanish and thus are hesitant to work people outside P&G. To persuade employees to work outside traditional relationships, P&G has structured its reward system to favor products and/or product ideas brought in from outside of the company. While the "connect and develop" strategy has been successful, it still faces cultural obstacles to widespread embrace within the company (Houston & Sakkab, 2006).

The numbers reveal that P&G's "connect and develop" strategy has been successful in developing new technology, spawning new product ideas, and controlling the company's R&D budget. In 2000, 15% of P&G's new products incorporated elements from outside the company versus some 35% in 2006, with more than 100 new products being created that were attributable to the new strategy (Huston & Sakkab, 2006). Also, since the new strategy was implemented, P&G has seen a 60% increase in R&D

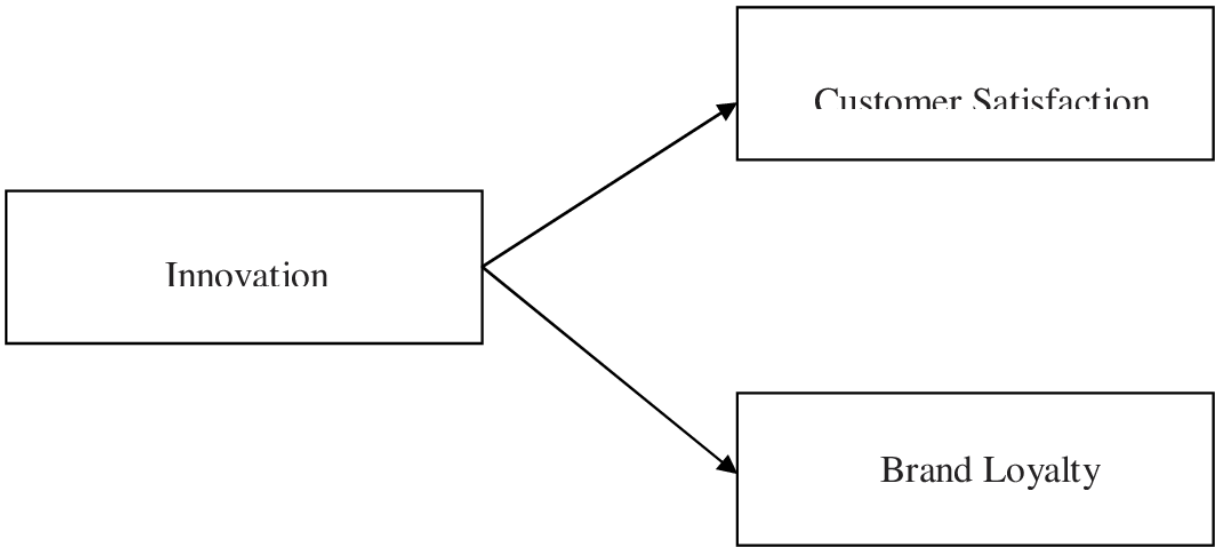
productivity and a doubling in the company's innovation success rate (Huston & Sakkab, 2006). At the same time, from 2000-2006, P&G decreased R&D expenditures from 4.8% to 3.4% (Huston & Sakkab, 2006). In terms of stock price, the new innovation strategy helped the company rebound from a 2000 stock price plummet. The strategy helped to double the company's stock price and raise the company's brand portfolio to $22 billion as of 2006 (Huston & Sakkab, 2006). Proctor and Gamble is focused on this innovative technological and product development model as a key to sustaining competitive advantage in the years ahead.

## Brand Loyalty

It is deduced that the stronger the attitude relationship with a firm, the less diversion through appeals from other firms (Henard and Dacin 2010, 325). Innovation reputation results to consumer loyalty. It is deduced to be an ultimate end result of an innovative reputation. This may be described as the act of buying constantly the same products (goods or services) from range of brands in a particular class or at different markets. It is more predictable when a consumer buys a brand all the time in the same store, thereby limiting the number of brand alternatives available for them (Nemati, et al. 2010, 302).

Although, so–called loyal or brand customers do not only consider the quality of products and benefits sought when making purchase, but the issue of price is another factor. Hence even if the new products offer significant user benefits and experience, most customers do not see it as a reason to pay huge price premium. They needed something more new, more beneficial and affordable. However consumer attitude varies, other key variables observed include; family pressure, age, sex orientation and relationship with salesperson are considered when buying new or innovative products.

Tucker (1964, 32-35) also argued that some customers are brands loyal simply because there is no discrimination of any sort between brands other than the brand itself. It boils down to the level of faithfulness of the customers being tied to a particular brand (Nemati, et al. 2010, 302).




## OBJECTIVES and hypothesis

**The greater good is in the details**

P&G want to lead the charge in doing the right thing. It's objective is to use every opportunity they have—no matter how small—to set change in motion. To be a force for good and a force for growth. For the world, and for every generation to come.

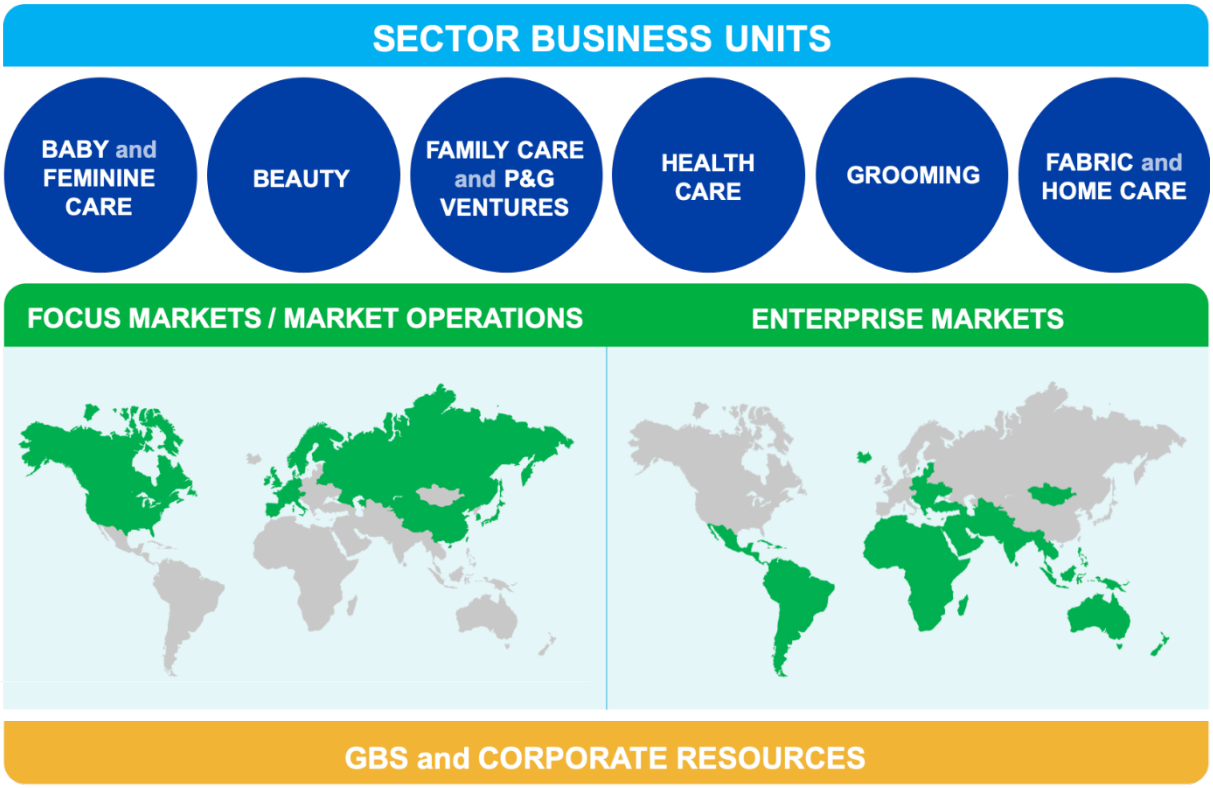
Since the onset of the outbreak Covid-19, P&G has been working with its long-standing charitable partners, government officials, and other organizations to respond to the COVID-19 pandemic. To date, P&G's cash, product and in-kind donations add up to tens of millions of dollars across 30 brands, more than 200 different organizations, and in 30 countries. This will continue to increase as commitment with communities around the world to support their efforts.

“During these unprecedented times, P&G is committed to doing everything possible to ensure the health and safety of all employees, to continue to serve consumers with essential products and to take meaningful action to help communities in need and those on the frontlines, “Now more than ever, the Company and people are stepping up to be a force for good for those who have always been there for us.”

## STRUCTURE & GOVERNANCE

### Corporate Structure

P&G conduct six industry-based Sector Business Units or SBUs: Fabric and Home Care, Baby and Feminine Care, Family Care and P&G Ventures, Beauty, Grooming, and Health Care. P&G manage 10 product categories within these SBUs.



The SBUs have sales, profit, cash and value creation responsibility for largest and most profitable markets, called Focus Markets—accounting for about 85% of Company sales and 90% of after-tax profit.

In each Focus Market, Market Operations works across the six SBUs on scaled market services and capabilities, including transportation, customer teams , warehousing, logistics and representing P&G externally.

The rest of the world is organized into Enterprise Markets—a separate unit with sales, profit and value creation responsibility. The SBUs contribute innovation plans, supply plans and operating frameworks for the Enterprise Markets to deliver these mutually agreed business goals. Enterprise Markets are important to the future of P&G for their interesting market growth rates, and the intent is to accelerate this growth and value creation.

Supporting the SBUs, Market Operations and Enterprise Markets are key corporate resources focused on scaled services, governance, stewardship and areas requiring high mastery.

This structure permit more empowered, agile and accountable organization to accelerate growth and value creation.

**Functional Groups.** In keeping function-based groups, Procter & Gamble secure that its organizational structure satisfies fundamental business functions. For example, this feature of the corporate structure create support for the company's CEO and his staff. Functional groups give a way for Procter & Gamble to integrate its global consumer goods operations. This structural characteristic results in a corporate hierarchy that reflects the levels of management and decision-making in the business. Procter & Gamble's organizational structure has an executive heading each of the following functional groups:

1. CEO
2. CFO/Finance
3. Global Health Care
4. Global Fabric and Home Care and Global Baby and Feminine Care

5. Global Family Care and Global Brand Creation and Innovation, P&G Ventures
6. Global Grooming
7. Global Beauty
8. North America Selling and Market Operations
9. Human Resources
10. Europe Selling and Market Operations
11. CTO/Technology
12. Legal & Secretariat
13. Latin America Selling and Market Operations
14. Greater China Selling and Market Operations
15. Branding
16. India, Middle East and Africa (IMEA) Selling and Market Operations
17. Global Sales
18. Comptroller and Treasurer
19. Global Product Supply
20. Asia Pacific Selling and Market Operations

**P&G STRATEGIES :**

**Market Penetration (Primary Intensive Strategy).** The Procter & Gamble Company's primary intensive growth strategy is market penetration. In this intensive strategy, the main aim is to increase the company's market share. Procter & Gamble does so through marketing campaigns to increase consumer awareness about the company's consumer goods. This strategy is especially significant for low-performing products in the market. In addition, Procter & Gamble implements this intensive strategy through beneficial agreements with retailers. For example, P&G increase its market share by offering higher retail profit margins for some large retailers. In return such retailers exhibit Procter & Gamble's products in prominent locations or shelves in their stores. The differentiation generic strategy creates competitive advantage that helps increase success in applying the market penetration intensive strategy. A strategic objective based on this intensive growth strategy is to increase Procter & Gamble's market share through aggressive marketing.

**Product Development (Secondary Intensive Strategy).** Product development is used as a secondary intensive growth strategy in Procter & Gamble's business. This intensive strategy cover design and production processes for products that attract target customers. Procter & Gamble applies product development to support continuous business growth, while addressing competition. For example, P&G promote new products to increase its share of the global consumers goods market. In addition, Procter & Gamble increases its competitiveness by continually enhancing current products. The differentiation generic strategy directly determines the kinds of products that the company develops, especially in terms of competitive advantage based on quality and value. A strategic objective associated with this intensive strategy is to grow Procter & Gamble through continuous innovation.

**Market Development.** The Procter & Gamble Company manages market development as a supporting intensive growth strategy. Market development add to the company's growth through entry into new markets or market segments. For example, Procter & Gamble could enter new market segments when it creates an entirely new product line or when it changes its market focus. In this way, Procter & Gamble can expect a new revenue stream. The generic strategy of differentiation makes it easier for P&G to enter new markets or market segments when implementing this intensive growth strategy. Also, a strategic objective based on market development is to increase Procter & Gamble's R&D investment for new product lines, or to reform its marketing strategies to enter new segments in a growing or stable consumer goods market.

**Diversification.** Diversification is one of Procter & Gamble's supporting intensive growth strategies. This intensive strategy contain establishing new business operations. For example, every acquisition and corresponding business diversification in Procter & Gamble's history has led to considerable growth. However, this intensive growth strategy is considerably difficult to realize because of its large-scale effects on P&G's business organization. For instance, each acquisition leads to adjustments in P&G organizational structure . The differentiation generic strategy helps build competitive advantage the company needs to succeed in new business operations. Also, this intensive strategy leads to the strategic objective of using an aggressive approach to earn other firms to grow Procter & Gamble's business.

## Organization & Culture

P&G are making organization structure and culture adjust to better position to win.



**New structure** performing through six industry-based SBUs



Contributes greater clarity on **responsibilities & reporting lines**



Strengthen **leadership accountability**



Permit P&G people to accelerate **growth & value creation**

## Superiority to Win with Consumers

P&G invest in advance the superiority of products and packages, brand communication, retail execution and value advantage

**SUPERIOR PRODUCTS :** Products so good, consumers admit the difference.

**SUPERIOR PACKAGING :** Packaging that fascinate consumers, transfer brand equity, helps consumers select the best product for their needs, and delights consumers during use.

**SUPERIOR BRAND COMMUNICATION :** Product and packaging benefits communicated with exceptional advertising that let you think, talk, laugh, cry, smile, act and buy — and that drives category and brand growth.

**SUPERIOR RETAIL EXECUTION :** In-store: with the right store coverage, product forms, price points, sizes, shelving and merchandising. Online: with the right content, assortment, ratings, reviews, search and subscription offerings.

**SUPERIOR CONSUMER & CUSTOMER VALUE :** For consumers: all these elements presented in a clear and shoppable way at a compelling price. For customers: margin, trip generation, penny profit , basket size, and category growth.

## P&G's Connect and Develop Model

With the heart of a start-up and the resources of a global corporation, P&G are always looking for imaginative ways to reinvent every aspect of The business. As innovation, P&G find inspiration in people — their needs, values, desires, and passions.




### From R&D to C&D

P&G has obsessed attention to product innovation. At first, like every other company, they had an R&D group which is good for exploiting knowledge and doing research inside the firm itself. However, the drawbacks are also obvious. There is no guarantee that all these blue-sky researches will be a success and it has high risk and

cost associated . Besides, only by getting out of the lab can researchers find and listen to customer wants and needs.

Initially, Fewer than 10% of P&G technologies were being used in products. Which meant that many unused technologies were being kept hidden, much like antiques-valuable but useless. What's more, with knowledge increasing and refreshing at an exponential rate and much important innovations being carried out in small entrepreneurial firms , P&G achieve it is impossible for them to complete everything alone while at the same time create satisfactory operating results for their shareholders. Things had to be changed. Therefore, P&G decided to suggest a new business model to cope with both the desire for external ideas coming in and own ideas going out. Instead of the traditional in-house research model "Research and Development", they formed a department called "Connect and Development" which is based on "Open Innovation".

The idea was to bring together external research institutions, customers, suppliers, individuals and even competitors to develop the market for new products. They create a web site (www.pgconnectdevelop.com) to communicate with the resources outside. The mechanism works like this: they simply put all their needs on this website in classified categories, and then anyone who is interested or has the solution could propose their ideas and get assessed by a specialized team. Payments can range from US$10,000 to US$100,000 . After this model has been practiced, P&G is able to drive new innovation through collaboration with external partners in at least 50% of the cases . Furthermore, this model seems to work well: in 2004, P&G reported a 17% increase in volume, a 19% increase in sales, a 25% rise in earnings and a total shareholders return of 24% .

**Innovation Strategy at P&G**

One of the core strengths of the company is its Innovation strategy. Its CEO A.G Lafley believes that innovation is at the heart of P&Gs business model. The company uses innovation to create value with retail partners, satisfy customers and to create new

business models to maintain sustainable growth (Datamonitor, 2009). The company boasts of a range of industry firsts . P&G uses a unique design for innovation comprising of five major categories (Datamonitor, 2009):

- Defining innovation broadly
- Investing in innovation at industry levels
- Managing innovation with discipline
- Delivering innovation that builds consumer trust and loyalty over time
- Using global brands and an outstanding team of innovation leaders to lead innovation

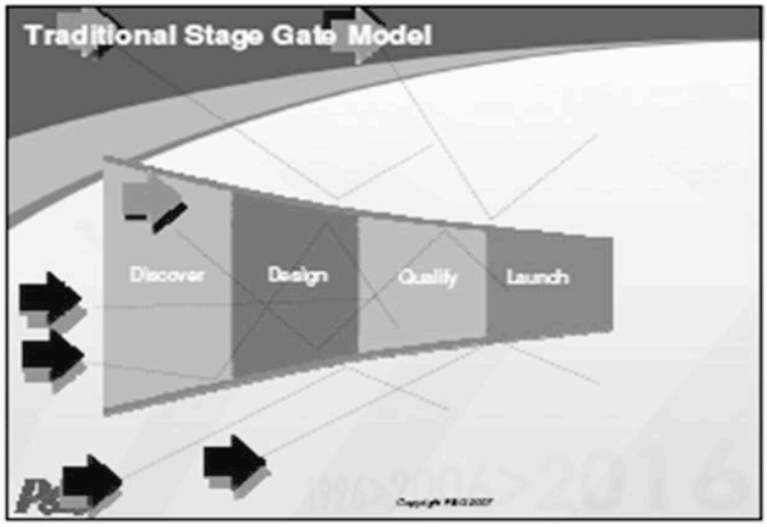
One unique feature in P&Gs strategy is that innovation is involved in every area of the product which makes contact with the customer, such as the packaging, the shopping experience, the in-home product usage experience as well as the product itself (Datamonitor, 2009). A good example is the company's family care business where the innovations are customer focused rather than technology focused. This means that each product offers customized benefits to meet different consumer needs. The company also involves its customers in the innovation process on a daily basis.

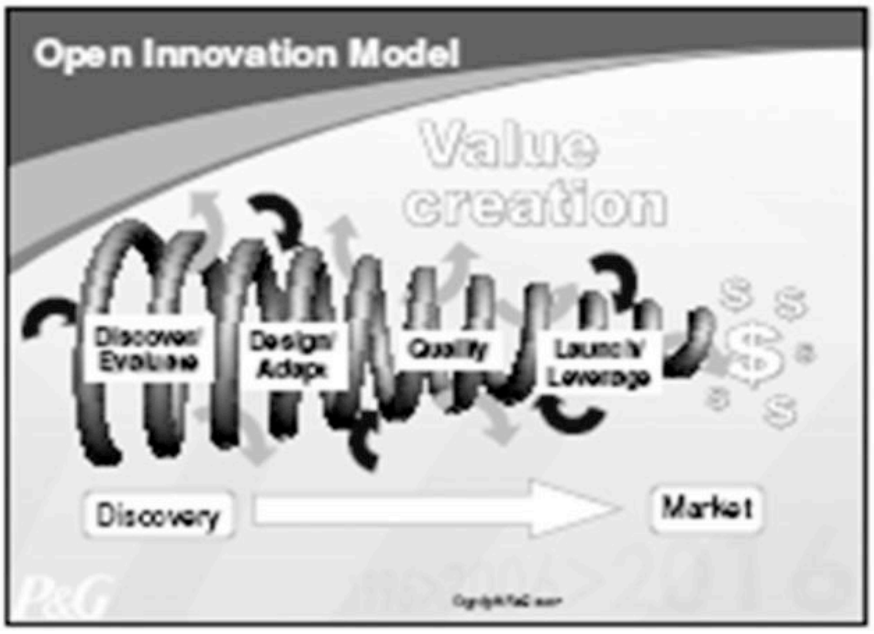
The company supports sustainable innovation, investing heavily in R&D to bring better quality products to the market. P&Gs budget for R&D amounts to nearly $2 billion an year: twice the amount spent by Unilever, P&Gs biggest competitor. This proves the company's dedication towards sustainable innovation (Datamonitor, 2009).

## Managing Innovation at P&G

Historically P&Gs innovation strategy was focused on its internal capabilities. The company had minimal experience externally and was not involved with its competitors. The model used by the company was a traditional stage gate model (Heimberg, 2008). This traditional model helped P&G until 2000 when the company faced major financial difficulties. With the increase in the pace of innovation, costs, fast followers,

constrained resources and more consumer demands the traditional model was unable to deliver the required results (Heimberg, 2008). The company required a "growth rate which exceeded the industry growth average". This required collaboration with external sources (Lafley, 2008); generally known as Open Innovation. This initiative was named connect and develop where the company collaborates with external sources for innovative ideas and technologies. When the process began the 10-15% of the innovations at P&G included ideas from external sources and today this has increased to 50%, resulting in the company achieving a 6% organic growth in an industry, which is growing at 2-3 %.( Lafley, 2008)






P&G works on a 'proudly found elsewhere' culture which has opened the door for many innovations. Although Connect and Develop is now considered the major Innovation initiative taken up by the company, there are various strategies which drive the success at P&G.

## Complementary P&G's Innovation Strategies

**User driven innovation**: User driven innovation mainly focuses on developing products based on customer needs. P&G carries out user driven innovation by engaging their customers as co-designers (Datamonitor, 2009).

**P&G Innovation Fund**: This can simply be described as an in-house venture capital firm which hands over successful innovations to the relevant business units in the company. The firm carries out the initial concept, design, engineering and qualifications work prior to handing over the ideas; and specializes in high-risk, high reward ideas (Datamonitor, 2009).

**Innovation Net**: Innovation net provides access to 20,000 knowledge workers at P&G from the R&D to the Patent/Legal and Business Information systems (AskMe, 2001). The main function of innovation net is to allow users to catalogue, locate and maintain

employee knowledge. This provides employees with the ability to take immediate action when required.

**Enterprise 2.0**: This is P&Gs version of web 2.0 which is a set of web based software service that helps increase the involvement of employees in establishing and managing data. Furthermore to this, the company is also allowing its employees to personalize its web portal by adding RSS feeds of news and business information (Hines, 2007). This service includes the customer and the suppliers web portals, online hubs for all the interactions with supermarkets, suppliers and technology providers around the world .

Recent research has shown that innovation within the business can only take place if the structure of the business and the internal talent of the organization are structured to encourage collaboration between the employees and knowledge sharing .

Thence, the above initiatives indicate the efforts taken by P&G to promote successful innovation within the company.

## Connect and Develop problems and challenges

Combination elements from open innovation models, pronounce multiple innovation networks and investing heavily in knowledge management tools, (i.e. Innovation Net) P&G has created its own novel way to deal with the new challenges of generating growth in mature markets through innovation. Nevertheless, they are not exempt from problems and challenges. Below are briefly described some of the most critical issues identified, that if not addressed properly might put in risk P&G's long term success.

**A- The dangers of "outsourcing" innovation**

Being able to access external knowledge and leveraging in this way, innovation sounds like a very reasonable strategy. Nevertheless, important risks lie behind it; Firstly "Lean innovation" might become fragile innovation and lead to a progressive loss of internal capabilities to promote their own innovations. This might damage in the long term their most important competitive advantage, their expertise to innovate. For

example of this risk is in the aeronautical industry, when Boeing and Airbus are distributing their manufacturing and R&D capabilities so widely, over time theirs experts lose an important part of their critical knowledge.

**B- Managing the intellectual property and its negotiations in an open environment**

P&G believes that connect and development will bring the dominant innovation model in the twenty-first century , the drawback is obviously about how to protect its intellectual property. Case becomes much more complicated after the open innovation model is applied. In the past, all the innovations were kept inside of the company, and P&G only needed to decide whether to apply for the patent for a certain .
innovation or not, fairly simple. However, in this model, there are many in-licensing and out-licensing of innovation and technology, which makes the protection of the intellectual property a big problem. The company needs to meditate the most appropriate way to protect their new inventions. For example if the inventor does not have good protection, they are creating something that others can have for free .Therefore, patents should be looked at closely.
Another problem that arises from this issue is how to manage hundreds or thousands of relationships with small technology providers (university departments, individual inventors , private R&D labs, etc.) that have no official relationship in the long term with P&G and do not share the same incentives. like the "Magic Eraser" shows clearly the complexity of the Connect & Develop programme and how it must deal in an ad-hoc way to handle every case. Thus to innovate systematically in an open environment, huge transactional costs are usually incurred; cost that are not present when the innovation occurs in a closed model.

**C How to select and filter really innovative ideas**

To deal with the complexity found in the C&D model, P&G tries to select technologies as mature and proven as possible . This is good to reduce implementation and technological risks, but it reduces the chances to customize and produce radical innovations because P&G's R&D department intervenes only in the final stages. This filter certainly limits the potential of the open innovation model, adding a cap on it, and

also generates a problem because internal R&D capabilities are less exercised, aggravating the issue expressed in point A.

### 4.4 Identifying the "Serial Innovators”

P&G should anticipate that most of the valuable innovations come from a very reduced group of bright individuals. This is particularly important when the challenge is to identify the "serial innovators" in an open innovation environment. This is because of the high number of individuals involved and the fact that they are not inside the company. For P&G identifying and nurturing this helpful group will became a key issue and an interesting potential competitive advantage.

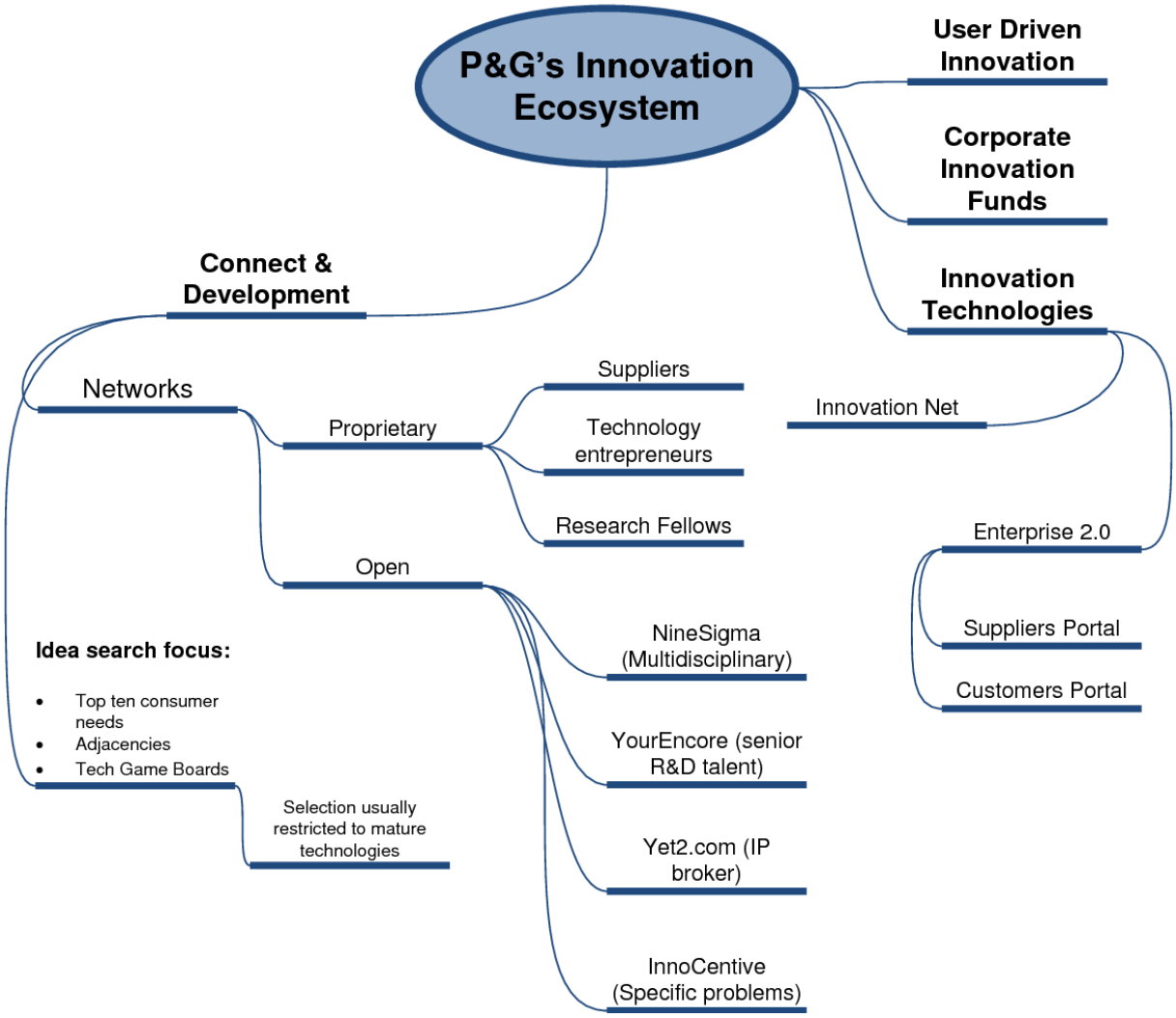
### 4.5 Connect & Develop financial results

In spite of the fact that sales and profits increased over time after the implementation of C&D and some of its notorious success cases , it is still not obvious if this strategy has given P&G a significant advantage compared with their traditional model of innovation before the year of 2000. Stock market trends denote that P&G has followed a very similar stock price track compared with its industry and so the real effect of C&D is difficult to calculate in financial terms. Regardless of all the original hype, C&D does not seem to be a real game changer in this business arena, or at least not yet.




**The complexity of the system**

Connect and Develop and all the other innovation initiatives inside P&G, have created a complex set of framework and interactions, transforming the management of this system into a challenge by itself. At these interactions and the management of innovation, P&G have two critical positions; The "Technology Entrepreneurs" and the "Research Fellows", the first are the scouts, tracking new innovations outside of the company and later lobbying inside to bring them in. The second are in charge of the conceptual development and continuous refinement of C&D, acting as the back office of this complicated system.




## Innovation programs

In 2001, P&G established an innovation strategy program called "Connect and Develop." This program allows the company to partner with universities and institutes, sole inventors, Start-Up, small and medium enterprises, multinational corporations, and competitors . The program has allowed the company to better recognize consumer behaviour. Here's why:

- Facilitates innovation beyond the areas of P&G's expertise.
- Offers innovative ideas that improve product quality .
- It reduces risks by transforming potential competitors into collaborators.

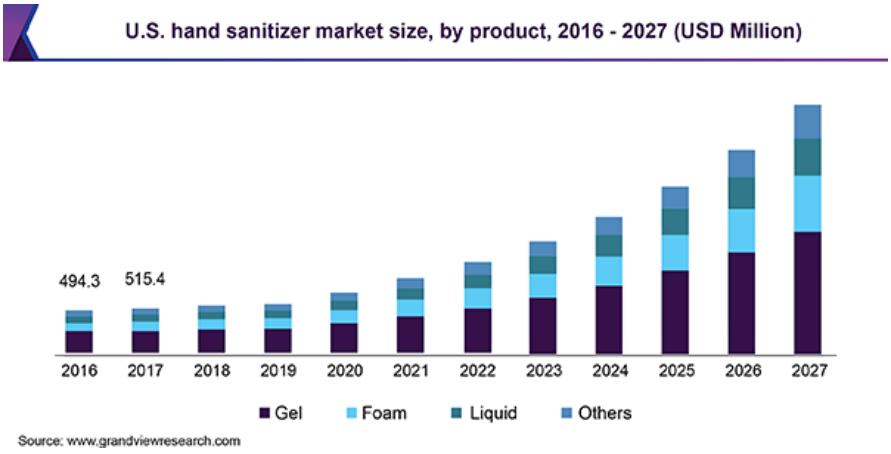
## MARKET INSIGHTS

Since the outbreak of COVID 19, hand washing and hand sanitizing have been the key prevention for transmission of the infection. Request for sanitizer has gone up exponentially resulting in supply crisis for sanitizers. Empty shelves of sanitizers and non-availability of sanitizers on e-commerce websites were the initial supply problems since the outbreak. However, scaling up the production and entry of various agents in the sanitizer market to cater to the demand for hand sanitizer has filled the demand and supply gap. The outbreak has react the consumer behaviour and has led them to take more preventive measures regarding hand hygiene. WHO, recommended using sanitizer and hand washing as key preventive measure to reduce the risk of COVID 19. Major alcohol brands are mobilizing and manufacturing sanitizers to cater the high market demand for sanitizers. Demand for sanitizers has spiked up due to the COVID and a never seen growth has been recorded for sanitizer market. This is likely to boost the demand for sanitizer packaging.

## DATA COLLECTION & ANALYSIS :MARKET TRENDS

The global hand sanitizer market size valued at USD 2.9 billion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 23% from 2020 to 2027. Shifting consumer preference towards convenient hygiene products is expected to lead the market. In addition, COVID-19 pandemic in the beginning of 2020 have stimulate the market for hand sanitizer. The demand for hand hygiene products have been exceeding the supply in both online as well as brick and mortar

sale channels worldwide owing to the global outbreak of the virus in a short time span. The outbreak has reinforced the significance of regular hand sanitizing and cleaning practices .




## SEGMENTATION

| ATTRIBUTE | DETAILS |
|---|---|
| BASE YEAR | 2020-2027 |
| Market size value in 2020 | USD 3.3 BILLION |
| Revenue Forecast in 2027 | USD 13.7 BILLION |
| SEGMENTATION | BY PRODUCT FORM :<br>• FOAM<br>• GEL<br>• LIQUID |
| | BY TYPE :<br>• ALCOHOL BASED<br>• ALCOHOL FREE |

| | |
|---|---|
| | **BY DISTRIBUTION**<br>• **PHARMACY STORES**<br>• **SUPERMARKET/HYPERMARKETS**<br>• **ONLINE RETAIL CHANNELS**<br>• **OTHERS (GROCERY STORES..** |
| | **BY END-USERS**<br>• **SCHOOLS**<br>• **RESTAURANTS**<br>• **HOSPITALS**<br>• **HOUSEHOLD PURPOSE**<br>• **Others (Shopping Plaza , Military , Corporate sectors , Hotels)** |
| | **BY GEOGRAPHY**<br>• **North America (U.S , Canada , and Mexico)**<br>• **Europe (U.K , Germany , France , Italy …**<br>• **Asia-Pacific (Japan , China , Australia , South Korea and rest of Asia-Pacific**<br>• **South America (Brazil , Agentina and rest**<br>• **Middle East & Africa (Morocco ,UAE,R** |

## INDUSTRY ANALYSIS BY SEGMENTS

The healthcare sector has became one of the key contributors to the global hand sanitizer market.

In 2019, the healthcare sector dominated with its 62% shares, followed by the residential sector.

The sale of sanitizing products in the healthcare sector has observed huge growth.

The rising awareness of contagious infections and the importance of maintaining hand hygiene among individuals is boosting segment growth.

The residential segment is another crucial end-user to be looked upon by vendors. Over the last few years, end-users have become more aware of the hazards of germs and infections widespread in the environment. They are extra careful and cautious in selecting products related to health and hand hygiene. Foam-based sanitizers are in demand in the segment, although gel-based sanitizers are also marking their presence.

**Market Segmentation by Product**

- Gel-based
- Liquid - Based
- Hand Wipes
- Foam -Based
- Sprays

**Market Segmentation by End-user**

- Healthcare
- Government & Military
- Residential
- Education
- Hospitality
- Corporate

**Market Segmentation by Distribution**

- Drug Stores
- Supermarkets & Hypermarkets
- Department Stores & Discounters
- Retail
- Online

- Others …

## SUPPLY CHAIN ANALYSIS

The supply chain constitutes key component of product availability and reachability. Supply chain strategies ensure the effective market reach and the allocation of products to several geographical locations. The supply chain of hand sanitizers consists of suppliers of ethyl alcohol, isopropyl alcohol, glycerin, hydrogen peroxide. It also includes external stakeholders such as packers and labelers and sub-contract manufacturers. Currently, the global supply chain of personal care and hygiene products is facing disruptions owing to the surge in market demand. With the outbreak of COVID-19, the global supply chain for hand sanitizers has been confronted with several disruptions. Since, the manufacturers depend largely on a complex distribution mechanism centered around China. Due to the COVID-19 outbreak, manufacturing facilities have leapt into overdrive. Companies are adding overtime and shifts along with looking for alternative facilities to produce more necessary items.

## ANALYSIS BY MANUFACTURERS

Global Dealers dominate the global hand sanitizer market. The key market players are P&G, GOJO Industries, 3M, Reckitt Benckiser Group, Unilever, and Vi-Jon. GOJO Industries' Purell and Reckitt Benckiser's Dettol were the most preferred personal hygiene brands in 2018. Several international players are expected to expand their

presence worldwide, especially in the developing countries . The rising awareness of sanitizer benefits across the globe is likely to intensify during the forecast period. The adoption rate of hand purifiers among end-users worldwide has been impressive. The market is testify the entry of several new vendors due to the increased demand. Key players are competing on several factors, including quality, innovation, price, product type, and brand. Therefore, attaining sustainability, expanding into other geographies, and reviving domestic demand are essential factors for the vendors. Vendors can boost profits by practicing efficient production techniques that minimize product costs and relieve associated risks.

**Key Dealers**

- Procter & Gamble (P&G)
- GOJO Industries
- 3M COMPANY
- Reckitt Benckiser Group
- The Unilever Group

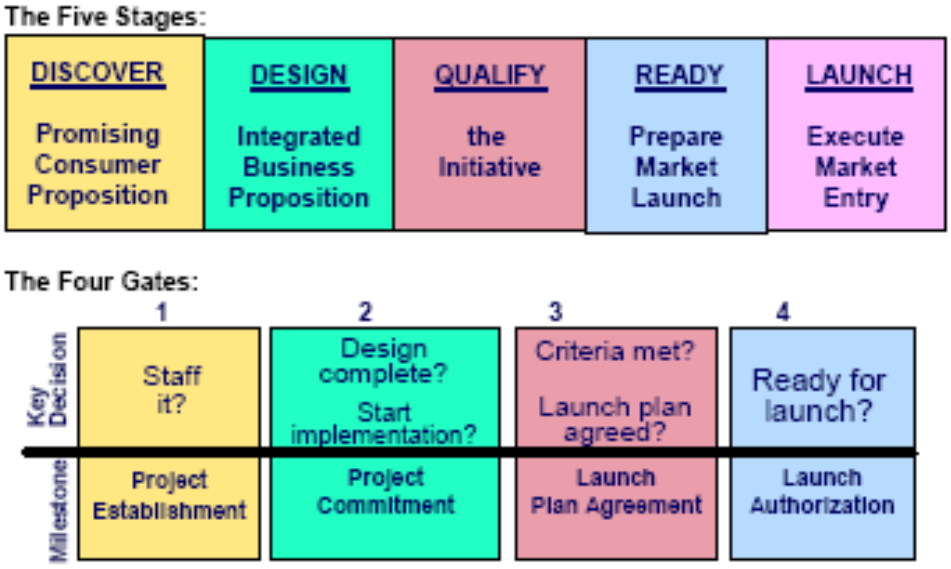
**Other Prominent Dealers**

- Best Sanitizers
- Bath & Body works
- BODE Chemie
- Chattem
- Cleenol Group
- Deb Group
- EcoHydra Technologies
- Ecolab
- Edgewell Personal Care

- Henkel
- Kimberly-Clark
- Christeyns Food Hygiene
- Kutol Products Company
- Linkwell Deutschland
- Lion Corporation
- Medline Industries
- Nice-Pak Products
- Safetec of America
- The Himalaya Drug Company
- Vectair Systems
- Whiteley Corporation
- Zoono Group

**Management and Product Launch Model**

P&Gs version in a stage-gate model and is a method used to impel products from the idea phase to the launch and post launch phases.




As can be seen from the diagram the SIMPL model has four main stages. These develop a set of current best practices and define the targets for the project team: end points. The four gates shown in the diagram includes team recommendation and a management decision .

**QUESTIONNAIRE :**

1- Is hand sanitizer really necessary in day-to day life ?
    - Strogly Agree
    - Agree
    - Neither agree nor disagree
    - Disagree
    - Strolgly Disagree

**Interpretation :**

**45% Strongly Agree**

**55% Agree**

**Proper handwashing and using sanitizer whenever washing hands is not possible, can save all of us from bacteria and viruses. When you are outside, riding in a car, playing in a park or just shopping, it's not always possible to use soap and water to wash hands. This is where we all have to rely on our alcohol-based hand sanitizers. Especially during times like these when we are combatting the COVID-19 pandemic, frequent use of sanitizer is recommended by the government itself.**

2- How many times do you wash your hands daily ?
    - Less than 2
    - 2-5 Times
    - 5-7 Times
    - More than 7

**Interpretation :**

**40% ,2-5 Times**

**25% ,5-7 Times**

**35% , More than 7**

**Washing your hands is always important, but it's even more beneficial during cold and flu season. Getting vaccinated against influenza virus is the best thing you can do to protect yourself from the flu, but washing your hands also helps prevent the spread of illness.**

3- What do you prefer to wash your hands with ?

- Running water only
- Running water and soap
- Running water and antibacterial liquid hand wash
- Hand sanitizer only
- Hand wipes
- Others

**Interpretation : 60% Hnad sanitizer**

**30% Water and soap**

**8% Hand wipes**

**2% Water only**

**In certain crucial instances, soap and water are not as effective as hand sanitizer. The alcohol content of hand sanitizers are more effective at killing multidrug-resistant pathogens, like MRSA and VRE, and sneaky fungi and viruses, . This does not mean that soap and water is a useless combination; it just means that soap and water is less effective at eliminating certain germs than hand sanitizer.**

4- The most preferred attribute in hand sanitizer is ?(You may tick more than one)

- Price
- Fragrance

- Germs kill the capacity
- Packaging and brand
- Others

**Interpretation :**

**10% Price**

**5% Fragrance**

**20% Germs kill the capacity**

**65% Packaging and brand**

**suppliers should carefully consider how their products are packaged and whether they may be confused with other household or food items. Hand sanitiser packaging should not resemble consumable products or products that may be considered appealing to children. Products should also be clearly labelled as hand sanitiser.**

5- Which types of hand sanitizer will you buy ?

- Alcohol-Based
- Alcohol –Free

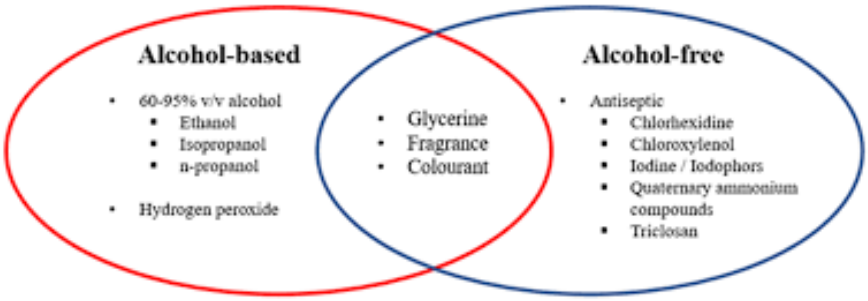
**Interpretation :**

**50% Alcohol-Based**

**50% Alcohol Free**

**Hand sanitizer can generally be categorized into two groups: alcohol-based or alcohol-free . An ABHS may contain one or more types of alcohol, with or without other excipients and humectants, to be applied on the hands to destroy microbes and temporarily suppress their growth . ABHS can effectively and quickly reduce microbes covering a broad germicidal spectrum without the need for water or drying with towels. Nevertheless, there are a few shortcomings with the effectiveness of ABHS, such as its short-lived antimicrobial effect and weak**

**activity against protozoa, some non-enveloped (non-lipophilic) viruses and bacterial spores**




**On the other hand, the alcohol-free sanitizer makes use of chemicals with antiseptic properties to exert the antimicrobial effects. These chemicals have a different mode of action and function according to their chemical functional groups . As they are non-flammable and often used at low concentrations, they are relatively safer to use among children as compared to ABHS.**

6- Are Hand sanitizers as effective as hand washing ?

- Yes
- No

**Interpretation :**

**45% Yes**

**55% No**

**If used correctly in certain conditions, hand sanitizers can be as effective as soap and water. Hand sanitizer doesn't cut through dirt and grime too well, so if hands are soiled, then soap and water is advised. If soap and water are not available and you are about to eat your lunch, or just typed on a keyboard, or opened a public door, then hand sanitizers are great. Make sure to rub enough sanitizer on your hands to get them wet and rub hands vigorously until dry. If your hands are dry in less than 20 seconds, you probably didn't use enough.**

## PRODUCT OVERVIEW




Hand sanitizer is essential in the fight against COVID-19. P&G is leveraging people, talents and resources to serve the growing need around the world.

Since January, P&G mobilized teams to provide the capability to manufacture and distribute hand sanitizer in five plants around the globe. Perfumers in Europe used their chemical management expertise to develop and create their own Surface Sanitizer. Within three days, a multi-functional team assembled to develop, test and produce hand sanitizer with great agility. These experts shared their learnings with manufacturing facilities leaders to scale their production capabilities.

*After obtaining an approved World Health Organization (WHO) formula and recommendation for production, the team in Europe jumped into action to identify and obtain the raw materials they needed – the majority of which were already available on site. Within 24 hours, the first bottle of WHO Hand Sanitizer was produced in Gross Gerau. — Onofrio Caradonna, Europe Plant Shared Services Leader*

This seems simple, but scaled production requires expertise and rigorous safety protocols throughout the process, including establishing a product supply chain for raw materials, leading product development, inventing process engineering, securing clearances from governmental bodies, creating safe packaging, and delivering the product reliably.

*Following the learning from Europe, P&G team in Lima, Ohio, brought production online in three days! — Perfume Operations Supply Leader, Omar Bravo*

Currently, P&G producing Surface Sanitizer in 55-gallon utility drums for distribution to relief organizations; They're providing Safeguard Hand Sanitizer as a consumer-sized product for hospitals, health authorities and for use at our own facilities.

Soon, theirs manufacturing capacity will expand to five additional locations across the globe the globe and plan for a capacity and plan for a capacity of 45,000 liters per week when fully operational.

## Consumers care that a company is innovative and want to buy from them

Innovation is seen as vital in driving purchasing and enhancing the customer's self-image. 51% of respondents say they have bought a product without fully understanding what it did or how it worked because the felt or heard it was "cool". 34% agree that they like owning products that make them look innovative to others.

## Wanting to be first: which consumers like to be ahead of the game?

Nearly two-thirds (62%) of respondents have purchased a '1st generation' product at least once. While consumers have a willingness to buy new products, they don't necessarily want to be guinea pigs for the products. 21% of respondents buy new

products as soon as they come out compared to 63% who prefer to buy them once they have been out for a while.

The study shows clear demographic differences in those consumers who want to be early adopters. For instance, of the consumers who purchase products as soon as they come out, 65% are men. In contrast, of the consumers who are more likely to purchase a product once it has been out for a long time, 35% are women. The allure of innovation does wear off with age – only 6% of older people (55+) buy first generation products. But it's not just youth that drives the desire for innovation – the Generation X'ers are most seduced, with 49% of 35-54 year olds buying new products as soon as they come out compared to 45% of Millennials

**FINANCIAL STATEMENTS**

| Annual Data \| Millions Of Us $ except per share data | 2019/06/30 | 2017/06/30 | 2015/06/30 |
|---|---|---|---|
| **Revenue** | $67,684 | $66,832 | $65,058 |
| Cost Of Goods And Sold | $34,768 | $34,432 | $32,638 |
| **Cross Profit** | $32,916 | $32,400 | $32,420 |
| Research And Development Expenses | - | - | - |
| SG&A Expenses | $19,084 | $19,037 | $18,654 |
| Other Operating Income Or Expenses | -$8,345 | - | - |
| Operating Expenses | $62,197 | $53,469 | $51,292 |
| **Operating Income** | $5,487 | $13,363 | $13,766 |
| Total Non-Operating Income/Expenses | $582 | -$37 | -$509 |
| **Pre-Tax Income** | $6,069 | $13,326 | $13,257 |
| Income Taxes | $2,103 | $3,465 | $3,063 |
| **Income After Taxes** | $3,966 | $9,861 | $10,194 |
| Other Income | - | - | - |
| **Income From Continuous Operations** | $3,966 | $9,861 | $10,194 |
| Income From Discontinued Operations | - | - | $5,217 |
| **Net Income** | $3,634 | $9,861 | $15,079 |
| EBITDA | $8,311 | $9,485 | $16,586 |

| | | | |
|---|---|---|---|
| EBIT | $5,487 | $16,197 | $13,766 |
| Basic Shares Outsdanding | $2,504 | $13,363 | $2,598 |
| Shares Outsdanding | $2,540 | $2,657 | $2,740 |
| **Basic EPS** | $1,45 | $3,75 | $5,80 |
| **EPS-Earning Pre Share** | $1,43 | $3,67 | $5,59 |

## Conclusion

Over P&G's 170 plus year history, it has been a serial strategic innovator that has continuously reshaped itself and its industry. This Chain of innovations has let to sustained competitive advantage and consistently superior performance results by any typical measure: product portfolio, market share, financial returns, competitive positioning. Beginning with Ivory soap, P&G pioneered the use of mass market, direct to customer advertising to build brand recognition. As brand recognition began to grow, P&G realized that traditional distribution methods would not support this shift from what today would be called a cost-leader commodity based approach to a differentiation strategy inveterate in its growing number of brands. By changing from indirect wholesaler distribution channels to direct-to-retailer distribution, P&G began reactive with its customers, giving it control over promotion, positioning, and development of its brands. While advertising allowed P&G to communicate with its customers, its customers were unable to communicate their needs, wants, and desires back to P&G. The direct distribution channel changed the way P&G did business by revealing that customers had a lot of preferences that needed to be recognized and addressed, if it was to shift from a classic selling approach to a customer focused marketing concept. Thus, P&G established a marketing research function and with it created a potent new tool to grow its portfolio of products. After the foundation of its marketing research department, the concept and practice of brand management was developed. Under brand management, P&G's business structure put its brands at the center of the company as opposed to functional and operational activities as was the typical mode of organization at the time. Brand management shifted P&G's organizational structure from a geographic territory based model to a product brand based structure. By centering the business on brands, P&G was able to differentiate products and position them according to the consumer market segment they wanted to target. This also reduced competition

between their brands which further increased profitability. Today, P&G continues to pioneer strategic innovations with its new technology and product innovation strategy called “connect and develop”. In P&G’s case, history has definitely repeated itself as P&G has sustained its competitive advantage through serial strategic innovation.

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## Appendixes

### General Company Profile

Procter and Gamble commonly known as P&G started as a soap and candle company in Cincinnati, Ohio in the year 1837. Today it is a global manufacturer and marketer of consumer products. There are three main Global Business Units (GBU), the company focuses on: Beauty, health and well being, and household care (Datamonitor, 2009). The role of each GBU is to recognize common consumer needs, develop new product innovations. By successful innovations and marketing strategies GBUs also helps build the P&G brands. The other main sector of the business is the Global operations group which is subdivided into Market Development Organization and Global Business Services. Being the world's largest consumer goods company, P&G markets more than 300 brands in over 180 countries and functions in Europe, Asia and the Americas (Datamonitor, 2009). Some of the company's major products include Tide, Pampers, Pantene, Pringle, Gillette and Ariel (Carvin, 2009). The major strengths of the company include its focus on Innovation, Leading market position, strong brands portfolio and a diversified range of products. One of the major weaknesses of the company is its dependence on Wal-Mart. This can lead to a weakness in the bargaining power of the company especially considering that fact that 15% of P&Gs revenue since 2006 is through sales to Wall-mart (Datamonitor, 2009). An increase in P&G product recalls were also noticed in the past couple of years and this can tarnish the brand image of the relevant products. The company should also expect to face difficulties due to Global economic changes, counterfeit goods and increasing regulations on products (Datamonitor, 2009). In the fourth quarter of the Fiscal year 2009 P&G faced one of the most difficult financial periods in decades (Learning Markets, 2009). The company has sold off its Folgers coffee business and in August 2009, signed a deal to sell its Global Pharmaceutical business. (Reuters, 2009).