GM 105 – 12: PROCTER & GAMBLE COMPANY'S 2015 STRATEGIC AUDIT

CSUS – COLLEGE OF BUSINESS ADMIN. | PROFESSOR HATTON

FALL SEMESTER

2015, OCTOBER 30

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I. Current Situation

On October 31, 1837, William Procter, and James Gamble signed the partnership agreement that created the Procter & Gamble (P&G) Company. The two men turned their candle, and soft soap crafting firm into the most profitable consumer goods company within Cincinnati. Today, the conglomerate firm remains the second most profitable consumer goods company globally, second only to Nestle. Procter & Gamble has differentiated themselves from other top competitors as the fastest-moving consumer goods firm. They have generated $11.6 billion in adjusted cash flow, increased dividends for the 59th year in a row, and returned $11.9 billion in the 2014 fiscal year to shareowners. P&G is focused on providing branded consumer packaged goods with superior quality, and value to consumers internationally. Its products are sold in more than 180 countries, and territories through mass merchandisers, grocery stores, membership club stores, drug stores, department stores, salons, distributors, e-commerce, high-frequency stores and pharmacies. They have on-the-ground operations in approximately 70 countries, and employ more than 110,000 people: constituting over 140 varying nationalities. P&G is now one of the most recognized conglomerates globally with two of the top ten most valued consumer packaged goods brands within the Firm's portfolio (The World's Most Valuable Brands, 2015).

A. Current Performance

Procter & Gamble's current performance will be evaluated in terms of return on investment (ROI), market share, and profitability. Return on investment "measures the rate of return on the total assets utilized in the company," and is often used as a measure of management's efficiency (Wheelen, Hunger, Hoffman, & Bamford, 2015, p. 336). Market share is used to give a general idea of the size of a company relative to its market, and competitors (Investopedia, 2004). A company that maintains its current market share is growing revenue at the same rate as the total market, whereas a company that is growing market share will be growing its revenues faster than its competitors (Investopedia, 2004). P&G's profitability will be measured in terms of net profit margin and earnings per share (EPS). Net profit margin "shows how much after-tax profits are generated by each dollar of sales" and EPS "shows the after-tax earnings generated for each share of common stock" (Wheelen, Hunger, Hoffman, & Bamford, 2015, p. 336).

Return on Investment

Procter and Gamble's annual return on investment was 10.44% for 2013, 10.66% for 2014 and 7.17% for 2015. The 9.8% decrease in 2015's annual year over year (Y/Y) investment growth was due to a 39.38% decline in year over year net income. Since ROI is often used as a measure of management's efficiency, Procter & Gamble may need to devise new strategies to improve in this area. However, the Firm may not necessarily be alarmed by a sharp drop in ROI, due to its 2015 investments in a new manufacturing facility, and R&D.

PG Annual Return On Investment	(FY 2015) (June 30. 2015)	(FY 2014) (June 30. 2014)	(FY 2013) (June 30. 2013)
Y / Y Investment Growth	*-9.8 %*	*1.2 %*	*1.76 %*
Y / Y Net Income Growth	*-39.38 %*	*3.36 %*	*4.57 %*
Annual Return On Investment	**7.17 %**	**10.66 %**	**10.44 %**

Market Share

Procter & Gamble's Global Business Units (GBU's) are organized into four industry-based sectors: Global Beauty, Global Health and Grooming, Global Fabric and Home Care, and Global Baby, Feminine and Family Care. Under U.S. GAAP the four sectors are aggregated into the following five reportable segments; 1) Beauty, Hair and Personal Care, 2) Grooming, 3) Healthcare, 4) Fabric Care and Home Care, and 5) Baby, Feminine and Family Care.

Reportable Segment	% of Net Sales*	% of Net Earnings*	GBUs (Categories)	Billion Dollar Brands
Beauty, Hair and Personal Care	24%	23%	Skin and Personal Care (Antiperspirant and Deodorant, Personal Cleansing, Skin Care); Cosmetics; Hair Care and Color; Prestige; Salon Professional	Head & Shoulders, Olay, Pantene, SK-II, Wella
Grooming	10%	16%	Shave Care (Female Blades & Razors, Male Blades & Razors, Pre- and Post-Shave Products, Other Shave Care); Electronic Hair Removal	Fusion, Gillette, Mach3, Prestobarba
Health Care	10%	11%	Personal Health Care (Gastrointestinal, Rapid Diagnostics, Respiratory, Vitamins/Minerals/ Supplements, Other Personal Health Care); Oral Care (Toothbrush, Toothpaste, Other Oral Care)	Crest, Oral-B, Vicks
Fabric Care and Home Care	29%	24%	Fabric Care (Laundry Additives, Fabric Enhancers, Laundry Detergents); Home Care (Air Care, Dish Care, P&G Professional, Surface Care)	Ariel, Dawn, Downy, Febreze, Gain, Tide
Baby, Feminine and Family Care	27%	26%	Baby Care (Baby Wipes, Diapers and Pants); Feminine Care (Adult Incontinence, Feminine Care); Family Care (Paper Towels, Tissues, Toilet Paper)	Always, Bounty, Charmin, Pampers

* Percent of net sales and net earnings from continuing operations for the year ended June 30, 2015 (excluding results held in Corporate).

1. The Beauty, Hair and Personal Care segment consists of skin and personal care, cosmetics, hair care and color, prestige, and salon professional. P&G's total market share in this segment is 50.39% (CSIMarket, 2015). According to the Firm's 2014 annual report, P&G's Olay brand, which is the top facial skin care brand in the world, held over 8% global market share. In the retail hair care, and color market, the Company exceeded 20% of the entire global market share; the Company's international success was primarily due to its Pantene, and Head & Shoulders brand products. Throughout the 2015 fiscal year, Procter & Gamble's total market share has remained unperturbed.
2. Procter & Gamble's total market share within the Grooming segment, which consists of shave care, and electronic hair removal, was approximately 70%: primarily due to its Gillette franchise. They also reported to hold over 20% of the male shaver market, and 40% of the female epilator market. Then, In 2015, Procter & Gamble's total global market share fell to 60%; however, the Firm's market share for male shavers remained at 20%, while its market share for female epilators rose to almost 50%. According to Forbes magazine, P&G's Gillette Razors retained its success because of a strong reputation, and number one ranking within consumer packaged goods brands. (The World's Most Valuable Brands, 2015).
3. The healthcare segment consists of personal, and oral healthcare, of which P&G has a total market share of 11.51%. In 2014, P&G occupied the second market share position amongst oral care industry members, with 20% global share. The Firm was also amongst the top ten elite competitors within the personal healthcare industry. 2015's global market share percentages for oral, and personal healthcare were the same as for 2014.
4. P&G's total market share of the Fabric, and Home Care segment is currently 27.06%. Generally, P&G holds the number one, or number two share positions for fabric care. However, in 2014, the Firm became the global market share leader wielding 25% of the global share, which can be attributed to the growth in its Tide, Ariel, and Downy brands. Specifically amongst Procter & Gamble's global home care market share, the Firm holds nearly of 20% global market share. By 2015, P&G

reported an increase of 5% in its fabric care market share, while its homecare market remained at 20%.

5. Procter & Gamble has the highest total market share in the Baby, Feminine and Family Care segment at 59.2%. The Company is ranked first, or second amid its baby care competitors in most of the key markets in which it competes. P&G's prominence in this industry can be attributed to owning the world's largest diaper brand: Pampers. In 2014, Pampers earned annual net sales of over $10 billion, and reached 42.1% of the global market share for disposable diapers, wipes, and training pants (P&G Global Market…, 2015). By the beginning of 2014, P&G had reached over 30% of the global market share in baby care, 30% of the global market share in feminine care, and 45% of the US market share for Bounty and over 25% for Charmin. To oppose competing consumer goods companies, P&G also entered the adult incontinence category in certain markets, achieving nearly 10% market share in its selected locales. Like most other categories P&G completed, its market share remained static for the fiscal year 2015.

Profitability

Procter & Gamble's net profit margin rose from 12.85% in 2012 to 14.02% in 2014. However, in 2015 the Firm's net profit margin dropped to a low of 9.22%, due to a 5% decrease in net sales. Yet, P&G has outperformed its competitors, sector, and industry benchmarks for the last two years; this can be attributed to drop in net sales for market

Procter & Gamble Co., Net Profit Margin

	Jun 30, 2015	Jun 30, 2014	Jun 30, 2013	Jun 30, 2012	Jun 30, 2011	Jun 30, 2010
Selected Financial Data (USD $ in millions)						
Net earnings attributable to Procter & Gamble	7,036	11,643	11,312	10,756	11,797	12,736
Net sales	76,279	83,062	84,167	83,680	82,559	78,938
Ratio						
Net profit margin	9.22%	14.02%	13.44%	12.85%	14.29%	16.13%
Benchmarks						
Net Profit Margin, Competitors						
Colgate-Palmolive Co.	–	12.62%	12.86%	14.47%	14.53%	14.15%
Kimberly-Clark Corp.	–	7.74%	10.13%	8.31%	7.63%	9.33%
Net Profit Margin, Sector						
Personal Products	–	12.78%	12.79%	12.29%	13.17%	14.69%
Net Profit Margin, Industry						
Consumer Goods	–	8.01%	9.26%	9.07%	11.40%	10.42%

Source: Based on data from Procter & Gamble Co. Annual Reports

Source: www.stock-analysis-on.net

leaders within the industry, due to an influx in generic-label consumer packaged goods.

Procter & Gamble's diluted net earnings per share (EPS) consistently rose from 2012 to 2014. However, the diluted EPS decreased by 39% from $4.01 per share in 2014 to $2.44 per share in 2015. Procter & Gamble also calculates its core earnings per

SUMMARY OF 2015 RESULTS

Amounts in millions, except per share amounts	2015	Change vs. Prior Year	2014	Change vs. Prior Year	2013
Net sales	$ 76,279	(5)%	$ 80,510	—%	$ 80,116
Operating income	11,790	(20)%	14,740	7%	13,817
Net earnings from continuing operations	8,930	(21)%	11,318	3%	10,953
Net earnings/(loss) from discontinued operations	(1,786)	(482)%	467	4%	449
Net earnings attributable to Procter & Gamble	7,036	(40)%	11,643	3%	11,312
Diluted net earnings per common share	2.44	(39)%	4.01	4%	3.86
Diluted net earnings per share from continuing operations	3.06	(21)%	3.86	4%	3.71
Core earnings per common share	4.02	(2)%	4.09	5%	3.89

share because they believe this "measure provides an important perspective of underlying business trends and results and provides a more comparable measure of year-on-year earnings per share growth" (Procter & Gamble, 2015). Core EPS is also one of the measures used to evaluate senior management, and is a factor in determining a firm's at-risk compensation. P&G's core earnings per share decreased by 2% from 2014 to 2015.

B. Strategic Posture

Mission

The mission statement is "the purpose or reason for the organization's existence" (Wheelen, Hunger, Hoffman, & Bamford, 2015). Procter & Gamble's mission statement is as follows, "We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper" (Procter & Gamble, 2015). The Firm's vision is to "Be, and be recognized as, the best consumer products and services company in the world" (Procter & Gamble, 2015). P&G's mission statement is broad because it does not clearly state the products, or services offered, or the markets they are offered in. However, we believe Procter & Gamble's broad mission statement is preferable because the Firm competes in numerous business segments across the world, and would damper their mission by narrowing it to a precise industry, when the Firm is constantly alternating its brand portfolio. By stating that the firm intends to create products with superior quality, and value, they also meet the criterion of positing a mission for future direction.

Objectives

Objectives are the end results of planned activity, and should be stated using action verbs. Strategic objectives should tell us "what is to be accomplished by when, and quantified if possible" (Wheelen, Hunger, Hoffman, & Bamford, 2015). The corporate, business and functional objectives should be consistent with each other, and with the company's mission and vision statements. Procter & Gamble's corporate, business, and functional objectives are as follows:

Corporate Objectives

Procter & Gamble's long-term corporate objective is to "deliver total shareholder return in the top one-third of their peer group" (Procter & Gamble, 2015). In order to accomplish this P&G must achieve the following annual financial targets; Core EPS growth in the high single digits and adjusted free cash flow productivity of 90% or greater. Another corporate objective of P&G is to return up to $70 billion to shareowners in the next four years through a combination of dividend payments, share retirement, and share repurchases. For fiscal year 2015, P&G failed to achieve core EPS growth in the high single digits, and instead experienced a 2% decrease. However, the Company adjusted free cash flow productivity for 2015 was 102%, which exceeded its numeric objective by 12%: an accomplishment which provides the Firm a competitive advantage.

Business Objectives

P&G also believes that in order to achieve its long term corporate objective they must achieve the following business objective; Organic sales growth above market growth rates in the categories, and geographies in which they compete. In 2015, Procter & Gamble's Organic sales grew 1%. Organic sales for their 10 core categories grew 2%, about one point below underlying market growth.

Functional Objectives

Some of Procter & Gamble's functional objectives are investing more in research and development to foster product innovation, and to reduce costs such as overhead, marketing, and trade spending. Management has also decided to invest in expansion of sales force, and distribution networks.

Procter & Gamble's functional, and business objectives build upon each other; which will help the Company achieve its corporate objective of delivering total shareholder return in the top one-third of the Corporate packaged goods' competitive peer group through a deeper, and more narrow delineation of objectives. P&G's corporate objective is consistent with their mission to provide branded products, and services of superior quality, and value that improve the lives of the world's consumers. Procter & Gamble quantifies its target corporate, and business objectives with specific, EPS growth, organic sales growth, and cash flow productivity percentages; yet the Firm does not explicitly state measurable targets for functional objectives. Another issue the firm has is lack time frames to impose more strict deadlines for growth objectives. Achieving organic sales growth of 2%, is far easier than setting the objective for organic sales growth of 2% for 2016, and 5% for 2017. Stricter guidelines may stimulate stakeholder confidence by establishing expectations, which can be evaluated, and controlled when objectives are off target.

Strategies

Procter & Gamble is focused on strategies that it believes will help achieve their corporate business objective of delivering total shareholder return in the top one-third of their competitive peer group. The Firm believes it can reach its corporate objective through several strategies: increasing value creation for investors, innovation through new products as well as efficient operations, increased operating productivity, improving execution and operating discipline, and narrowing the business portfolio's focus while simultaneously developing the quality of products within the portfolio.

P&G's value creation progress is measured internally using the Operating Total Shareholder Return (O-TSR) model. O-TSR requires strong performance across all three drivers of value creation: sales growth, profit margin expansion, and efficient utilization of assets to generate a strong, reliable operating cash flow. Transparency of internal metrics across all process of the value creation process, from procurement to customer distribution, facilitate more efficient operations, and result in improved O-TSR.

Part of P&G's dedication to corporate responsibility efforts works as a strategy to improve efficiency through allowing greater transparency in the production process.

The Firm achieves product innovation through a process that "wins from the top — offering the best-performing products in the category, with the highest quality, at a modest price premium — yielding superior consumer value and growth" (Procter & Gamble, 2015). The benefit of P&G's product innovation strategy is an inclusion of its value proposition providing superior quality products in a mature industry that is mostly value-driven. Value driven industries can have firms with greater market share who differentiate themselves with premium products produced more efficiently. To substantiate higher quality products produced more efficiently, thereby meeting Procter & Gamble's mission with action, the firm will invest more than $2 billion dollars in research and development annually. Examples of these investments are Pampers Swaddlers and Pants, Tide PODS, the Gillette FlexBall, and many others. These products offer patented aspects, which are not found in competing products, and, as logically follows, will have the propensity to boost category, and brand sales.

Productivity provides P&G with the flexibility to fund growth efforts, offset cost challenges, and/or improve operating margins. Productivity is a core strength of P&G, and the Firm has taken significant steps to accelerate productivity as well as cost savings across all operating cost categories. These costs include cost of goods sold, marketing expenses and non-manufacturing overhead. These efforts have led to an increase in operating margin. P&G is also implementing the biggest supply chain redesign in the company's history. The Firm believes through moving to fewer categories, brands, initiatives, product lines, and SKU's, along with consolidation of current plants, agencies, suppliers, and organizations will lead to lower costs in overhead, cost of goods sold, marketing and trade spending. These savings can then be reinvested to accelerate the growth of leading brands, creating a symbiotic relationship between cost savings, and a stronger focus on value creating categories for the Firm.

Execution of product being at the right place at the right time for a consumer to is pivotal for a firm's success; Procter & Gamble understand this sheer fact, and intend to be the best in industry at executing place utility. Management is has scheduled increased sales force investment to build profitable distribution, and shelf assortment. In fact, 30.9% of the Firm's Operating expenses is comprised of sales, general, and administration expenses, of which marketing encompasses $23.6 billion (2015 Annual Report). P&G is also investing in a more agile, faster, and a more flexible distribution network to reduce out of stocks, which will result in inventory optimization. They are also renewing their manufacturing operations to improve quality, and accelerate innovation at lower cash, capital and operating costs.

Procter & Gamble has recently decided to focus and strengthen its business portfolio by competing in categories and brands that are structurally attractive, and that are favorable to existing competencies, and do not defocus the Firms from core capabilities. The greatest benefit of this strategy include is more efficient resources allocation through focusing on leading brands, marketing in countries with comparable interests, and utilizing customers' preferred channels of distribution – "where the size of the prize and probability of winning is highest" (Procter & Gamble, 2015). Once completed, P&G expects to compete in four industry-based sectors made up of approximately ten product categories and 65 leading brands.

The aforementioned strategies will help Procter & Gamble achieve their functional, business and corporate objectives. The Firm's strategies complement one another, indoctrinating greater consistency between its strategies, and mission statement. For example, P&G's functional strategy of rededicating themselves to product innovation supports the functional objective of increasing research and development expenditures, which in turn could help the Firm accomplish the business objective of increasing organic sales. Taken together, this strategy and business objective will help them to achieve their corporate objective.

Policies

Privacy

Procter & Gamble believes that trust is a cornerstone of their corporate mission and the success of their business depends on it. P&G is committed to maintaining consumer's trust by protecting the personal information that they collect and use. Procter & Gamble follows all applicable privacy and data protection laws as well as internationally accepted privacy principles. They self-certify compliance with the U.S.-EU and Swiss

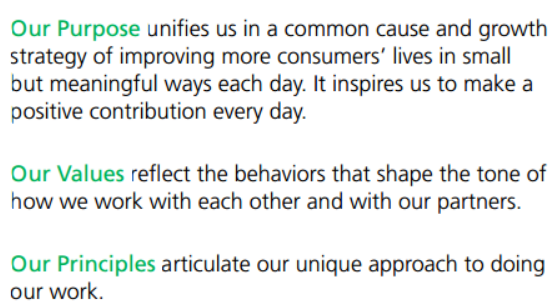
Safe Harbor Program. P&G also participates in the US Council of Better Business Bureau's Accredited Business Program and BBB EU Safe Harbor Dispute Resolution.

Speaking Up

Procter & Gamble deeply values ethics and compliance reporting especially when there may have been a violation of the law, their Worldwide Business Conduct Manual (WBCM), or a company policy. P&G tries to foster an environment that promotes open communication and trust among employees. They encourage employees to report all known or suspected violations via the WBCM helpline. This helpline is staffed by an independent third party and is available 24 hours a day, 7 days a week. The company also has two additional reporting resources; a company ethics committee who is responsible for maintenance, oversight and final interpretation of the Worldwide Business Conduct Manual and the corporate secretary who is an officer of P&G and a member of the Company's legal division.

Worldwide Business Conduct Manual

Procter & Gamble's Worldwide Business Conduct Manual "contains the global standards necessary to uphold their Purpose, Values, and Principles (PVP's). It provides guidance on situations the company may face and offers resources for questions or concerns" (Procter & Gamble, 2015). Essentially the manual is all about



"doing the right thing." Procter & Gamble's PVP's are listed below.

P&G believes in doing the right thing for its people. They promote respect in the workplace, value diversity and inclusion and are committed to providing equal opportunities in employment, and a harassment free environment. P&G ensures fair employment practices by following wage and hour laws, child labor and forced labor laws, and by practicing freedom of association. They believe that their employees are their most valuable asset so they are committed to ensuring workplace health and safety. P&G does not tolerate drug and alcohol use or violence in the workplace.

Procter & Gamble does the right thing by consumers by ensuring product safety. Their products and packages are safe for consumers and the environment when used as intended and P&G meets or exceeds all regulatory requirements related to product safety and labeling. P&G also holds their suppliers to the same standards. P&G engages in fair dealing and competition by conducting responsible sales and marketing practices, not comitting bribery, complying with competition laws, respecting third party information, and by clearly and accurately communicating with the media and analysts.

P&G does right for their shareholders by acting in the best interest of the company. They do this by responding to potential conflicts of interests appropriately, keeping company information secure, using company assets and technology properly, maintaining accurate books and recording, and avoiding insider trading.

Lastly, Procter & Gamble does the right thing around the world by protecting the environment, preventing bribery and corruption of government officials, and by preventing the use of company resources for the purpose of money laundering. They also have policies in place when working on government contracts, lobbying, and political involvement and contributions. P&G must also be familiar with trade controls such as import/export laws, boycotts, and restricted countries.

Social Media Policy

Procter & Gamble believes that "new technologies provide them with unique opportunities to build their business and to listen, learn and engage with consumers, stakeholders and employees through the use of a wide variety of social media" (Procter & Gamble, 2015). P&G has developed a Global Social Media Policy that describes the principles for its use, as well as standards & procedures for employees and partners when they use it as a key responsibility of their job, for collaborating internally and externally, or in their personal life. Basically the policy can be boiled down to two key points; 1) use good judgment and 2) follow P&G's PVP's and all applicable laws.

The company's policies are clearly defined and leave little room for confusion or ambiguity. They are consistent with each other and can all be traced back to Procter &

Gamble's Purpose, Values and Principles. These policies foster an environment of trust, open communication, integrity, and passion for winning which in turn will help Procter & Gamble implement its strategies and achieve its objectives.

Since Procter & Gamble sells products in over 180 countries and has on-the-ground operations in approximately 70 countries it is important that their mission, objectives, strategies and policies reflect the company's global operations. We believe that Procter & Gamble does a good job of integrating its global operations into all aspects of their strategic posture. Examples of this can be seen in their privacy policy with their compliance of internationally accepted privacy principles and in some of their strategies which involve focusing their business portfolio in the right countries.

II. Corporate Governance

A. Board of Directors

Currently, Procter & Gamble's Board of Directors consists of 12 men and women who are leaders in the fields of business, government, law, medicine and education. The Board of Directors is as follows;

Francis S. Blake - Former Chairman of the Board and Chief Executive Officer of Home Depot, Inc. (national retailer). Also a Director of Delta Airlines. Member of P&G's Audit and Governance & Public Responsibility Committees. Appointed to the Board on February 10, 2015. Age 66. Shares owned - 3,288.

Angela F. Braly - Former Chair of the Board, President and Chief Executive Officer of WellPoint, Inc. (healthcare insurance), now known as Anthem. Also a Director of Lowe's Companies, Inc. and Brookfield Asset Management. Chair of P&G's Governance & Public Responsibility Committee and member of the Audit Committee. Director since 2009. Age 54. Shares owned - 24,781.

Kenneth I. Chenault - also known as Ken, JD has been the Chairman of the Board of American Express Company since April 2001 and as its Chief Executive Officer since January 2001. Chenault has been the Chairman of American Express Travel Related Services Company Inc. since April 2001 and its Chief Executive Officer since February 1997. He served as President and Chief Operating Officer of American Express Co. from February 1997 to January 2001 and Vice Chairman from January 1995 to February 1997. Chenault joined American Express in 1981 and was named President of the U.S. division of American Express Travel Related Services Company, Inc., in 1993.He joined

American Express in September 1981 from Bain & Co and held several senior management positions. He serves as Co-Chairman of The Partnership for New York City, Inc. He serves as Vice Chairman of National Academy Foundation. He serves as Trustee of Mount Sinai NYU Medical Center and Health System. He serves as a Director of the National Center on Addiction and Substance Abuse. He serves as Director of National September 11 Memorial & Museum at the World Trade Center Foundation, Inc. He has been Director of American Express Company since 1997 and International Business Machines Corporation (IBM Corporation) since 1998. He serves as Director of American Express Bank Ltd. He serves as Member of the Council of National Museum of African American History and Culture. He served as Director of Phoenix House Foundation, Inc. He is a Member of Dean's Advisory Board of Harvard Law School and Council on Foreign Relations. He has a BA in history from Bowdoin College and a JD from Harvard Law School. Member of P&G's Audit and Compensation & Leadership Development Committees. Director since 2008. Age 64. Shares owned - 28,139.

Scott D. Cook- Scott Cook is the Founder & Chairman of the Executive Committee at Intuit Inc. He co-founded Intuit Inc. in 1983 and now serves as the Chairman of the Executive Committee. Before founding Intuit, Cook managed consulting assignments in banking and technology for Bain & Company, a corporate strategy consulting firm. He previously worked for Procter & Gamble in various marketing positions, including brand manager, for four years. Cook is a Member of the Board of Directors of eBay, Procter & Gamble, The Asia Foundation, The Harvard Business School Dean's Advisory Board, The Center for Brand and Product Management at the University of Wisconsin, The Intuit Scholarship Foundation. Cook earned an MBA from Harvard University. He received a Bachelor's Degree in Economics and Mathematics from the University of Southern California. He is Chair of P&G's Innovation & Technology Committee and member of the Compensation & Leadership Development Committee. Director since 2000. Age 63. Shares owned - 60,970.

Susan Desmond-Hellmann, MD, MPH - Chief Executive Officer of the Bill & Melinda Gates Foundation (a private foundation supporting U.S. education, global health and development, and community giving in the Pacific Northwest). She is an oncologist and renowned biotechnology leader. Former Chancellor and Arthur and Toni Rembe Rock Distinguished Professor, University of California, San Francisco. Also a Director of Facebook, Inc. She is a member of P&G's Audit and Innovation & Technology Committees. Director since 2010. Age 58. Shares owned - 12,332.

[1]***A.G. Lafley*** - P&G's Chairman of the Board, and former President & Chief Executive Officer. Lafley previously served as P&G's President & CEO from 2000 to 2009. He joined the U.S. Navy in 1970 where he oversaw all the retail and service operations for 10,000 Navy and Marine corps and their families in Japan. After the Navy, he graduated from Harvard Business School and joined P&G in 1977. Over the next 15 years, he moved up through the Company's laundry and cleaning businesses, delivering record results and leading organizations responsible for some of P&G's biggest innovations, including Liquid Tide and Tide with Bleach. He retired from P&G in 2010 and served as a senior advisor at Clayton, Dubilier & Rice until returning to P&G in 2013. He served as President and Chief Executive Officer of the Company from May 2013 to October 2015. He is also a Director of Legendary Pictures, LLC. He serves as P&G's Executive Chairman of the Board. Director since 2013. Age 68. Shares owned - 818,059.

Terry J. Lundgren – Chairman, and Chief Executive Officer of Macy's, Inc. (national retailer). He has also served as Macy's Chief Operating Officer and Chief Merchandising Officer. He graduated from the University of Arizona receiving the Honorary Doctor of Laws degree. He was also awarded the honorary Doctor of Commercial Sciences degree from Suffolk University in 2001. Lundgren has been appointed Commissioner on

[1] Internal Member

Women's Economic Development by the Mayor of New York. He has been presented with several business recognition awards and has served as dinner chairman or as honoree for numerous retail industry organizations and charities, including the Fresh Air Fund, American Jewish Council, Breast Cancer Awareness, NOW Legal Defense, Parsons School and the Ovarian Cancer Society. Lundgren currently serves on the boards of Carnegie Hall, The New York City Partnership and United Way of New York City, as well as participating in numerous other charitable and civic efforts. He is also a member of the Young Presidents Organization, serves on the membership committee of the Economic Club of New York, and is involved with the New York City Principal for a Day Program. He is a member of P&G’s Compensation & Leadership Development and Innovation & Technology Committees. Director since 2013. Age 63. Shares owned - 10,648.

W. James McNerney, Jr. - Chairman of the Board of The Boeing Company (aerospace, commercial jetliners and military defense systems). President of the Boeing Company from 2005 to December 2013 and Chief Executive Officer from 2005 to June 2015. He oversaw the strategic direction of the Chicago-based, $86.6 billion aerospace company. With more than 168,000 employees across the United States and in 70 countries, Boeing is the world's largest aerospace company and a top U.S. exporter. Before that, he served as chairman of the board and CEO of 3M, then a $20 billion global technology company with leading positions in electronics, telecommunications, industrial, consumer and office products, health care, safety and other businesses. He joined 3M in 2000 after 19 years at the General Electric Company. By appointment of U.S. President Barack Obama, McNerney chairs the President's Export Council, which operates as an advisory committee on international trade. He is a member of the executive committee and a past chair of Business Roundtable, an association of chief executive officers of leading U.S. companies; a member of the CEO Fiscal Leadership Council, a non-partisan effort to mobilize support for a comprehensive U.S. federal debt-reduction agreement; and serves on the board of trustees of the Washington, D.C.-based Center for Strategic and International Studies, a bipartisan, non-profit organization that seeks to advance global security and prosperity. He is also a Director of International Business Machines Corporation. McNerney earned a B.A. degree from Yale University in 1971 and an M.B.A. from Harvard University in 1975. He is P&G's Lead Director, Chair of the Compensation & Leadership Development Committee and member of the Governance & Public Responsibility Committee. Director since 2003. Age 66. Shares owned - 60,762.

[2]***David S. Taylor*** - President nd Chief Executive Officer of the Company. Group President – Global Beauty, Grooming and Health Care from February 2015 to October 2015. Appointed to the Board on July 28, 2015. Age 57. Shares owned - 62,788.

Margaret C. Whitman - Chairman, President and Chief Executive Officer of Hewlett-Packard (computer software, hardware and IT services company). Former President and Chief Executive Officer of eBay Inc. (ecommerce and payments) from 1998 to 2008. Prior to joining eBay, Whitman held executive-level positions at Hasbro Inc., a toy company, FTD, Inc., a floral products company, The Stride Rite Corporation, a footwear company, The Walt Disney Company, an entertainment company, and Bain & Company, a consulting company. From March 2011 to September 2011, Whitman served as a part-time strategic advisor to Kleiner, Perkins, Caulfield & Byers, a private equity firm. She is a member of P&G's Compensation & Leadership Development and Innovation & Technology Committees. Director since 2011. Age 59. Shares owned - 12,332.

[2] Internal Member

Patricia A. Woertz - Chairman of the Board of Archer Daniels Midland Company (agricultural processors of oilseeds, corn, wheat and cocoa, etc.). President of Archer Daniels Midland Company from 2006 to February 2014 and Chief Executive Officer from 2006 to January 2015. Woertz began her career as a certified public accountant with Ernst & Ernst. She joined Gulf Oil Corporation in 1977, where she held various positions in refining, marketing, strategic planning and finance. Following the merger of Gulf and Chevron in 1987, Woertz led international operations and a global workforce as president of Chevron Canada and, later, Chevron International Oil Company. With the merger of Chevron and Texaco in 2001, she was named executive vice president in charge of the company's global refining, marketing, lubricant, and supply and trading operations. She is also a director of Royal Dutch Shell plc. She also serves on the U.S.-China Business Council, and she chairs the U.S. section of the U.S.-Brazil CEO Forum. She is also a member of the International Business Council of the World Economic Forum and The Business Council. In 2010, she was appointed to the President's Export Council by President Obama. Woertz holds a Bachelor of Science in accounting from The Pennsylvania State University, which awarded her its highest recognition for alumni. She is P&G's Chair of the Audit Committee and member of the Governance & Public Responsibility Committee. Director since 2008. Age 62. Shares owned - 22,073.

Ernesto Zedillo - Former President of Mexico, Director of the Center for the Study of Globalization and Professor in the field of International Economics and Politics at Yale University. He is also a Director of Alcoa Inc., Citigroup, Inc. and Promotora de Informaciones S.A. Zedillo earned his Bachelor's degree from the School of Economics of the National Polytechnic Institute in Mexico and his M.A., M.Phil. and Ph.D. at Yale University. His current service in non-profit institutions includes being a member of the Foundation Board of the World Economic Forum. He is a member of P&G's Governance & Public Responsibility and Innovation & Technology Committees. Director since 2001. Age 63. Shares owned - 39,804.

Procter & Gamble is a publicly traded company where virtually all employees own P&G stock or stock rights via different investment programs. Their Executive Share Ownership program requires senior executives to own shares of the company stock and/or restricted stock units valued at eight times base salary for the CEO, and five times base salary for the other senior executives. Non-employee directors must own company stock and/or restricted stock units worth six times their annual cash retainer. These compensation programs help to ensure the alignment of the interests of senior executives and directors with shareholders. P&G has three kinds of stock: 1) Class A Preferred Stock 2) Class B Preferred Stock and 3) Common Stock. The holders of stock classified as Class A and Common Stock are entitled to one vote per share at all meetings of the Shareholders of the company. Holders of Class B stock are not entitled to vote.

Procter & Gamble's Board of Directors is made up of a diverse set of men and women who bring with them differing backgrounds, knowledge, skills and connections. The previous President and CEO, A.G. Lafley, has been with the company for over 15 years. During this time he has learned the ins and outs of the company and brings valuable inside knowledge to the Board. Other members such as Patricia Woertz and Ernesto Zedillo have extensive knowledge and connections when it comes to international operations and experience, which is beneficial to the company since they operate in over 180 countries. As mentioned below, the Board is responsible for overseeing company compliance with the Worldwide Business Conduct Manual, which contains a section on environmental responsibility/sustainability. The Board's concern with environmental sustainability is reflected in the following comment by A.G. Lafley, the former President and CEO, "at P&G, sustainability is part of everything we do" (Procter & Gamble, 2015).

The Board of Directors represents and acts on behalf of the company's shareholders. The board also has "general oversight responsibility for the Company's affairs pursuant to Ohio's General Corporation Law, the Company's Amended Articles of Incorporation and Code of Regulations, and the Board of Directors' By-Laws" (Procter & Gamble, 2015). The Board, acting either as a whole or through its committees, also:

A. approves and monitors critical business and financial strategies of the Company;

B. assesses major risks facing the Company and options for their mitigation;
C. approves and monitors major corporate actions;
D. oversees processes designed to ensure the Company's and Company employees' compliance with applicable laws and regulations and the Company's Worldwide Business Conduct Manual;
E. oversees processes designed to ensure the accuracy and completeness of the Company's financial statements;
F. monitors the effectiveness of the Company's internal controls;
G. selects, evaluates and sets appropriate compensation for the Company's Chief Executive Officer;
H. oversees succession planning for the Chief Executive Officer position;
I. reviews the recommendations of Company management for, and elects, the Company's principal officers; and
J. Oversees the compensation of the Company's principal officers elected by the Board.

Based upon the above list, we believe that P&G's Board actively participates in the company.

B. Top Management

Procter & Gamble's leadership development approach sets a clear, rigorous course for growing leadership in every business and region, and at every level. As a result, their leadership team consists of a group of diverse individuals with a vast range of experience across the company. Procter & Gamble's leadership team is made up of the following people;

David S. Taylor *President & Chief Executive Officer* – David Taylor graduated from Duke University with a B.S. in Electrical Engineering. He joined P&G in 1980 and spent the first decade of his career in P&G's Product Supply organization where he managed production and operations for multiple plants. Here he obtained experience in manufacturing, logistics, engineering and supply chain operations. Next, David transferred into P&G Brand Management where he helped build some of the company's core categories such as Baby Care, Family Care and Hair Care and Home Care. David also has experience with leading global businesses as he has lived and worked in North America, Europe and Asia.

A.G. Lafley *Executive Chairman of the Board* – A.G. Lafley graduated from Hamilton College in 1969 with the intent to become a teacher and basketball coach. In 1970, his plans changed and he joined the U.S. Navy where he oversaw the retail and service operations for 10,000 Navy and Marine Corps and their families in Japan. In 1977, A.G. graduate from Harvard Business School with a M.B.A. and joined P&G shortly thereafter. Over the next 15 years, he moved up through the Company's laundry and cleaning businesses, delivering record results and leading organizations responsible for some of P&G's biggest innovations, including Liquid Tide and Tide with Bleach. A.G. has been responsible for all of P&G's operations in Asia. He helped grow P&G's business in China from $90 million to nearly $1 billion in sales. He served as President and Chief Executive Officer from 2000 to 2010, when he retired. A.G. returned to P&G in 2013 as the Chairman of the Board, President and Chief Executive Officer (until David S. Taylor was appointed in 2015).

Mark Biegger *Chief Human Resource Officer* – Mark received a B.S. in Industrial Engineering from Iowa State University and a M.B.A. from Xavier University. He joined P&G in 1984 as a team manager for Bounty in the Green Bay plant. Since then he has held several managerial positions including the Director of Global Finance and Accounting, the Vice President of Human Resources, Corporate Functions and Global Product Supply. Mark has been in his current position since 2012.

Steven D. Bishop *Group President, Global Healthcare* – Steen Bishop graduated from Purdue University with a B.S. in Agricultural Economics. He joined P&G in 1986 as an Assistant Purchasing Manager for the Foods Division. He has held multiple positions within the company such as Brand Manager, Marketing Director, and Group President for various segments. Steven has been in his current position since 2015.

Giovanni Ciserani *Group President, Global Fabric & Home Care and Global Baby & Feminine Care* – Giovanni Ciserani graduated from Bocconi University In Milan, Italy with a B.A. He joined P&G shortly after that as the Assistant Brand Manager of Ariel Handwash. Since then he has various positions within the company such as Brand Manager, Marketing Director, General Manager, Vice President of international segments, and Group President of various segments. He has held his current position since 2015.

Linda W. Clement-Holmes *Chief Information Officer* – Linda graduated from Purdue University with a B.S.I.M. in Industrial Management and Computer Science. She joined P&G in 1983 as a Systems Analyst. She quickly moved up to a Senior Systems Analyst and since then has held various positions such as Associate Director of Marketing Management Systems, Director of Global Business Services – IT, and Chief Diversity Officer. She has held her current position since 2015.

Gary Coombe *President, Europe Selling & Market Operations* – Gary graduated from Aston University, UK with a BSC in Business Management. He joined P&G in 1986 as a Sales Representative. Gary has held multiple positions within the company, all of them pertaining to its Europe operations. He has held his current position since 2014.

Philip J. Duncan *Global Design Officer* – Philip has a B.A. in Design & Advertising from the University of Kentucky and a M.B.A. from Ohio State University, Fisher College of Business. Before he began his career with P&G he was the President for Landor Associates Europe and Middle East divisions. He joined P&G in 2008 as the Global Design Officer.

Mary Lynn Ferguson-McHugh *Group President, Global Family Care and Global Brand Creation and Innovation, P&G Ventures* – Mary graduated with a B.S. in Business Administration from the University of Pacific and a M.B.A. from the University of Pennsylvania, Wharton School of Business. She joined P&G in 1986 as a Brand Assistant. She has held both domestic and international positions within the company such as Marketing Director, Global Speed Teams, UK and Vice President, North America Family Care. Mary has held her current position since 2015.

Thomas M. Finn *President, Global Personal Health Care* – Thomas graduated with a B.A. from Hamilton College. He joined P&G in 1984 as a Brand Assistant. He has been the General Manager of P&G Pharmaceuticals in Germany and Vice President, Worldwide Strategic Planning and New Business Development. He has held his current position since 2007.

Kathleen (Kathy) B. Fish *Chief Technology Officer* – Kathleen graduated from Michigan State University with a B.S. in Chemical Engineering. She joined P&G in 1979 in Asia and Canada Process Development. She has been an Associate Director, Director, Manager, and Vice President of various research and development departments for two different business segments. She has held her current position since 2014.

Fama Francisco ***President, Global Feminine Care –*** Fama graduated from the University of the Philippines with a B.S. in Business Administration and Marketing. She joined P&G in 1989 as a Sales Manager. She has been a Marketing Director, a General Manager and the Vice President and Brand Franchise Leader for Global Feminine Care. She has held her current position since 2015.

William P. Gipson ***Senior Vice President, Global Diversity and Research & Development, Asia Innovation Centers –*** William graduated from University of Alabama Tuscaloosa with a B.S. Ch.E. He joined P&G in 1985 as a Process Development Engineer, R&D. He has held various R&D roles within the company in different regions. Some of these roles include Section Head, Pampers R&D, Latin America and Vice President Global Hair and Personal Power R&D. He has held his current position since 2015.

Colleen E. Jay ***President, Beauty Specialty Businesses –*** Colleen graduated from Wilfrid Laurier University with a B.B.A. She joined P&G in 1985 as a Brand Assistant. She has held her current position since 2015.

Shailesh G. Jejurikar ***President, Global Fabric Care and Brand Building Organization, Global Fabric & Home Care –*** Shailesh graduated with a B.A. in Economics from Mumbai University and a M.B.A. from the Indian Institute of Management-Lucknow. He joined P&G in 1989 as an Assistant Brand Manager, Personal Health Care, India. He has held his current position since 2015.

Henry Karamanoukian ***Senior Vice President, Canada Selling & Market Operations –*** Henry graduated from Colgate University, USA with a B.A. in Philosophy and a B.A. in Political Science. He joined P&G in 1987 as a Sales Representative and has held various positions within the company ever since. He has held his current position since 2015.

R. Alexandra Keith ***President, Global Skin and Personal Care –*** She graduated from University of Arizona with a B.S. in Chemical Engineering. She joined P&G in 1989 as a

Team Manager, Product Supply. In 2013 she was the Vice President for Fabric Care in North America. She has held her current position since 2014.

Hatsunori Kiriyama *President and Advisor to the Chief Executive* - Hatsunori graduated from Doshisha University with a degree in Commercial Science. He joined P&G in 1985 in Customer Business Development, Far East. He has held various positions in Tokyo, Canada and Korea. He has held his current position since 2015.

Patrice Louvet *Group President, Global Beauty* – Patrice possesses two M.B.A.'s and joined P&G in 1989 as an Assistant Brand Manager for Mr. Clean. He has international experience which he gained from being the Marketing Director of Pantene in Western Europe and a General Manager in North East Asia Hair and Health Care. He has held his current position since 2015.

Deborah P. Majoras *Chief Legal Officer and Secretary* – Deborah graduated with a B.A. from Westminster University and completed Law School at the University of Virginia. Before joining P&G she was the Assistant Attorney General and Chairman of the U.S. Federal Trade Commission. She joined P&G in 2008 as Senior Vice President and General Council. She has held her current position since 2010.

Jon R. Moeller *Chief Financial Officer* – Jon graduated from Cornell University with a B.S. in Biology and a M.B.A. He joined P&G in 1988 as a Cost Analyst. In 2006 he was Vice President of Finance and Accounting for Global Beauty and Global Health Care. He has held his current position since 2009.

Julio Nemeth *President, Global Business Services* – Julio has a degree in Engineering and M.B.A. from Fundacao GetulioVargas(FGV), Brazil. He joined P&G in 1990 as a Site Engineer for Beauty Care in Brazil. He has been the Product Supply Director for Baby Care in Latin America and Vice President of Product Supply, Global Operations. He has held his current position since 2015.

Charles E. Pierce *Group President, Global Grooming* – Charles graduated from Duke University with a B.S.E. and a M.B.A. from the University of Chicago. He joined P&G in 1980 as a Brand Assistant. He has been an Assistant Brand Manager, an Associate Advertising Manager, and Vice President for various company products. He has held his current position since 2015.

Juan Fernando Posada *President, Latin America Selling & Market Operations* – Juan graduated from Universidad de los Andes, Bogotá, Colombia with a degree in Civil Engineering and a M.B.A. from the University of Notre Dame. He joined P&G in 1989 as a Financial Analyst Laundry and Hair Care, Colombia. He has been the Vice President for Fabric Care in Latin America and Vice President of Home Care in North America. He has held his most current position since 2015.

Matthew S. Price *President, Greater China Selling & Market Operations* – Matthew graduated from York University, UK with a B.A. in Economics. He joined P&G in 1987 as an Assistant Brand Manager for Vicks, UK. He has been the Marketing Director for Pampers and Always in Greece and Central and Eastern Europe. He has held his current position since 2015.

Marc S. Pritchard *Chief Brand Officer* – Marc graduated from Indiana University, Bloomington, with a B.S. in Finance. He joined P&G 1982 as a Cost Analyst for the Paper Division. He has been a Brand Manager, an Associate Advertising Manager, Vice President and President of various business segments. He has held his current position since 2014.

Martin Riant *Group President & Advisor to the Chief Executive and Executive Sponsor, Global Sustainability* – Martin graduated from Emmanuel College, Cambridge with a M.A. in Geography. He joined P&G in 1980 as Brand Management, UK. He has been the General Manager, Korea and Vice President of Western European Feminine Care. He has held his current position since 2015.

Magesvaran Suranjan *President, Asia Pacific Selling & Market Operations* - Magesvaran has a B.Sc. with honors in Accounting from Indiana University Bloomington, a M.B.A. in Finance and Accounting from the University of Chicago, and is a Certified Public Accountant. He joined P&G in 1994 as a Finance Analyst. He has been the Director of Finance for Greater China and Vice President, Asia Home Care. He has held his current position since 2015.

Mohamed Samir *President, India, Middle East and Africa Selling & Market Operations* – Mohamed graduated with a B.A. in Business Administration from the American University, Cairo. He joined P&G in 1989 as a Brand Assistant and Assistant Brand Manager for Fabric Care in Egypt. He has been a Country Manager for Yemen, Levant and Cyprus, a Vice President for the Near East and Fabric Care in Western Europe. He has held is current position since 2014.

Jeffrey K. Schomburger *Global Sales Officer, Customer Business Development* – Jeffrey graduated from University of North Carolina with a B.A. Honors, in Economics. He joined P&G in 1984 as a Sales Representative. For the first ten years of his career he held various U.S. positions. After that he held positions such as Director, Customer Marketing, Germany and Switzerland and Manager, Customer Business Development, Western Europe. He has held his current position since 2015.

Valarie Sheppard *Senior Vice President, Comptroller and Treasurer* – Valeria graduated from Purdue University with a B.S. in Accounting and a M.S. in Industrial Administration. She joined P&G in 1986 as a Tax Analyst. She has held multiple positions within the company such as Finance Director, North East Asia Finance and Vice President Global Beauty Care Finance and Accounting. Valarie has held the positions of Senior Vice President and Comptroller since 2011 and Treasurer since 2013.

Kirti Singh *Vice President, Global Consumer & Market Knowledge* – Kirti has a M.B.A. from XRLI, India. He joined P&G in 1993 has Manager, Laundry CMK, India. All of Kirti's positions have had to do with Consumer & Market Knowledge. He has been in his current position since 2014.

Yannis Skoufalos *Global Product Supply Officer* – Yannis graduated from the University of Leeds, U.K. with a M.Sc. in Food Engineering and a B.Sc. in Chemical Engineering. He joined P&G in 1984 as an Engineer. He has been a Group Manager, Manager and Vice President of Product Supply, Global Operations. He has held his current position since 2011.

Carolyn Tastad *Group President, North America Selling & Market Operations* – Carolyn graduated from the University of Saskatchewan with a degree in B. Commerce with Honors. She joined P&G in 1983 as an Analyst for Management Systems in Canada. She has experience in both US and Canadian markets and has been in her current position since 2015.

George Tsourapas *President, Global Home Care and P&G Professional* – George attended Cranfield Institute of Technology, UK, and Athens Polytechnic School. He joined P&G in 1986 as a Production and Buying Assistant in Greece. Most of his career has been focused on Greece but in 2006 he became the Vice President of Western Europe Home Care and Global Strategic Planning, Switzerland. He has held his current position since 2013.

As seen from the brief biographies listed above, Procter & Gamble's top management has a diverse background in terms of knowledge, skills and style. Their areas of expertise range from Accounting, Engineering, and Marketing to Biology. Many of the above mentioned employees have decades of international experience which they gained from working in different departments within P&G. Most of P&G's managers have been in their current positions for less than three years. However, we don't believe that this has a negative impact on the company because all of those managers were promoted internally and have been with P&G for 10-20+ years. Since P&G's top management has such a diverse skillset and many years of company experience, we believe that they will be able to cope with likely future challenges.

At Procter & Gamble all employees, including top management and the Board of Directors, are required to follow the company's Worldwide Business Conduct Manual. This manual states the global standards the company expects from daily work activities, and its legal and ethical responsibilities. P&G employees must follow the law and these standards at all times. The WBCM contains sections on doing the right thing for 1) each other, 2) Consumers, Customers and Business Partners, 3) Shareholders and the Company, and 4) Around the World. That being said, we believe that strategic decisions made by top management are made ethically in a socially responsible and environmentally sustainable manner.

III. External Environment: Opportunities and Threats (SWOT)

A. Natural Physical Environment

Procter & Gamble has carved out a position within the Consumer Packaged Goods (CPG) industry as environmental leaders to add increase the perception of quality within its value proposition. As the Firm states, “At P&G, our sustainability objective is to create industry-leading value with brands and products that consumers prefer, while at the same time conserving resources, protecting the environment and improving social conditions for those who need it most“ (P&G: 2014 Sustainability Report, 2015). With operations over 80 countries worldwide, the Firm seeks an opportunity in being the first movers in corporate responsibility efforts, and achieve a first-mover advantage in this category. There are several threats which permeate within the international CPG environment. Of the most obvious threats are regulations from environmental degradation, which can stem from NGO, governments, and regulatory bodies. To manage these outsiders, and find an opportunity by leading in categories, from renewable energy to recycling, and even climate conscious operations management; by leading in these categories a Firm will also thwart primary stakeholders regulatory costs.

Climate Change – P&G position

“As a global citizen, we are concerned about the negative consequences of climate change. We believe industry, governments, and consumers can work together to reduce emissions to protect the atmosphere,” (P&G: 2014 Sustainability Report, 2015). Procter & Gamble took a public political stance, supporting the linkage between greenhouse gas emissions and climate change. They emphasized the importance of everyone’s involvement stressing the need for government regulations, along with consumer and industry participation. The Firm saw an opportunity in leading the corporations in environmental education, and incorporating strong public relations marketing. In order to take a leading step forward in reducing their greenhouse gas emissions, Procter & Gamble developed the following practices:

a. Driving energy efficient measures throughout their facility. The Firm has set goal of using 100% renewable energy to power manufacturing, and administrative facilities by 2020. To meet these needs, the Firm is utilizing both wind turbine generators, and photovoltaic solar panels. Predominately P&G will use solar energy, with an estimated 87% of total company operating renewable sources. Commencing this change will provide the Firm the opportunity to improve brand image.

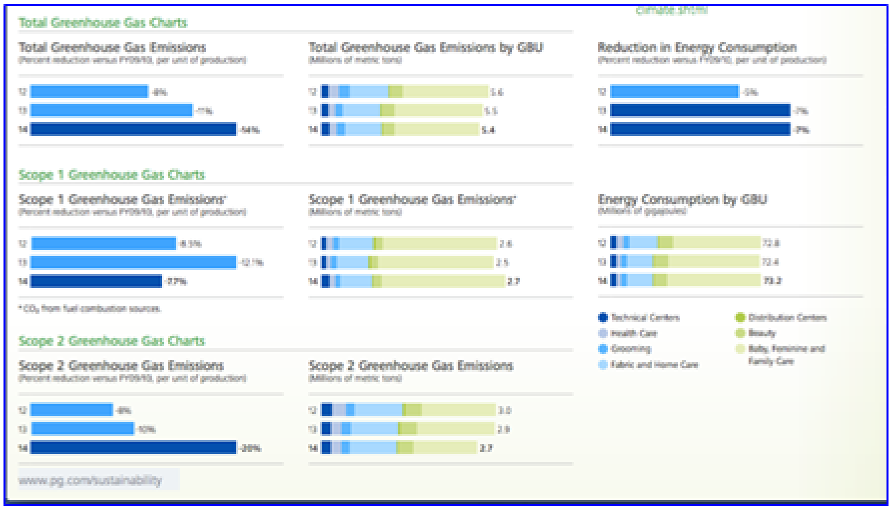
b. Transitioning logistics fuel sources to cleaner alternatives. In emerging economies (BRIC), where P&G had seen above average organic growth of 3.5%, the Firm has also established cost efficiencies with greater expansion of rail transportation as well as electric powered rail. The Firm's mass production efforts which provide economies of scale, and additional storage capabilities of rail has allowed the Company the opportunity to cut costs while mitigating environmental footprint. A threat could be firms who may not be as environmentally friendly, but offer shorter lead times between stockouts; thus, relish in higher service levels. An example would be dollar shave club who does not provide better environmental sustainability, but can ship out new razors in a day, which provides a tinge utility advantage over Gillette.

*c. Supplier educational through alignment with local governments***.** To extend the oversight of sustainability efforts, P&G works with local governments to ensure that all third party contributors to the Firm’s value creation follow the same environmental practices.

P&G has also incorporated value added innovations, which allow the consumer to purchase products with a lesser environmental footprint than competitors’ substitute products through:

a. Product and packaging innovations that enable more efficient consumer product use and energy consumption.

b. Consumer education to reduce greenhouse gas emissions such as the benefits of using cold water for machine washing.



Along with addressing operations, and product greenhouse gas emissions, Procter & Gamble has also taken the sustainable steps to address such issues with their partners and stakeholders:

a. Ensuring their sourcing of renewable commodities does not contribute to deforestation.

b. Developing renewable material replacements for petroleum derived raw materials. All these measurable goals have been put into practice and are addressed at the end of the year in their publicly recorded annual sustainability report.

Quality and Safety of the Environment

Procter and Gamble desires to provide products, and services that make a positive impact on their consumers. With this particular goal in mind, they strive to improve the environmental quality of all products, packaging and operations worldwide. Procter & Gamble's 2015 details the product pledges the Firm contends to make for environmental safety:

a) Ensure their products, packaging and operations are safe for their employees, consumers and the environments.

b) Reduce, or prevent the environmental impact of their products, and packaging through improved design, manufacturing, distribution, and final disposal. They are passionate about innovative, practical solutions to environmental issues related to their business. They support the preservation of resources and actively encourage reuse, recycle and composite.

c) Meet or exceed the requirements of all environmental laws and regulations. They use environmentally sound practices, even in the absence of governmental standards. They also cooperate with governments in analyzing environmental issues and developing cost-effective, scientifically based solutions and standards

d) Continually assess their environmental technology and programs, and monitor progress toward environmental goals. Continually assess their environmental technology and programs, and monitor progress toward environmental goals. Develop and use state-of-the-art science and product life-cycle tests to assess environmental quality

e) Provide consumers, customers, employees, communities, public interest groups and others with relevant and appropriate factual information about the environmental quality of P&G products, packaging and operations

f) Ensure every employee understand and is responsible for incorporating environmental quality considerations in their daily business activities. They encourage, recognize and reward individual and team leadership efforts to improve environmental quality – in and outside of work.

g) Keep operating policies, programs and resources in place to implement their Environmental Quality Policy

Wood Pulp

“We’re 100% committed to vetting the sources of our pulp fiber, being transparent in our sourcing and ensuring sustainable forest management. We also work to avoid any unwanted sources of wood and will collaborate with key stakeholders on increases in preferred certification schemes.” Procter and Gamble are taking countless measures to ensure sustainable wood sourcing. They are using third parties to come in and track forest management and wood traceability.

• By 2015, 100% of the virgin wood fiber used in our tissue/towel and absorbent hygiene products will be third party certified to one of the aforementioned standards. • By 2015, 40% of the virgin wood fiber used in our tissue/towel products will be FSC® certified.

Sustainable Forest Management

P&G purchases wood pulp from suppliers that:

a) Ensure the safety of forestry and manufacturing operations for employees and the environment

b) Document that wood is legally harvested and all legal requirements are met. P&G will not knowingly use illegally sourced wood fiber in our products

c) Practice sustainable forest management and strive to improve their own operations and wood sourcing, as verified by independent forest and chain-of-custody certification.

d) Do not obtain wood from High Conservation Value (HCV) forests. P&G supports multi-stakeholder efforts to develop information sources and tools that will help suppliers identify these areas on their own forestlands and in their procurement of wood raw materials from third parties

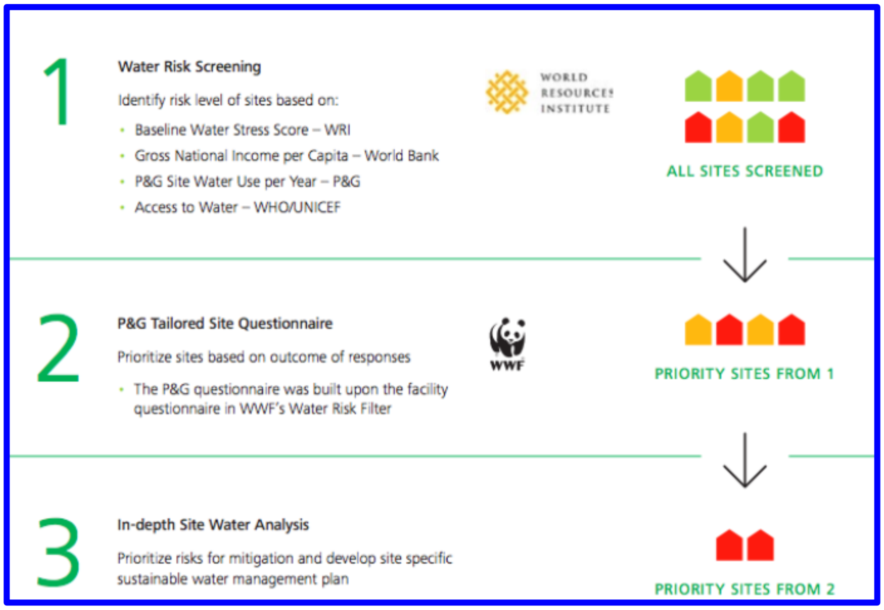
In meeting these goals, the firm divested all food product lines because the used high concentrations of palm oil, and did not reflect corporate sustainability efforts. Palm oil is an additive in food which has become highly commoditized, but to be procured, requires slashing, and burning efforts of Indonesia's forestry. P&G benefit from relinquishing ties to this form of procurement is three fold: destruction of these plants releases twice the amount of carbon rate per million as traditional fires, these forest provide sanctuary to wildlife who can only survive in these habitats, rare plants within these forests provide some of the world's only fruit/berries which are procured to invent new antibiotics specifically for antibiotic resistant bacteria. The firm now works with Indonesia, and Malaysia to educate k-12 students on the damaging impact on deforestation; which provides an opportunity to combat the threat of diminishing the Firm's ability to provide innovative antibiotics in its health and wellness category.

Water

Water is a huge threat to such a global company, especially one that has operations out of Northern California, which had just recently undergone huge scrutiny during its recent drought. Procter and Gamble emphasizes the importance of water for both production and product uses. With such a need placed on water, and sustainability being problematic and threatening, Procter and Gamble has developed the Water Risk Assessment Framework, which is publicly released in their annual sustainability report.

Quality

The Company will continually improve our operations to preserve the quality of water in the communities in which we operate. The company is also committed to a long-term, not-for-profit social and emergency relief effort to provide safe drinking water in the developing world aimed at reducing illness and death, particularly in children.



Availability

The Company is committed to sustainable water management by both our operations and consumer use of our products. This commitment includes water reduction goals, use of new technologies, product innovation using a lifecycle approach and siting decisions using a watershed approach.

Affordability

The Company understand that water use may affect affordability. Thus we are committed to water efficiency and sustainable use of water by our operations. We will also seek innovative ways to reduce water use by our consumers as well as educate them about the opportunity to save water. This will positively impact the cost of water to the Company, our consumer and the communities in which we operate.

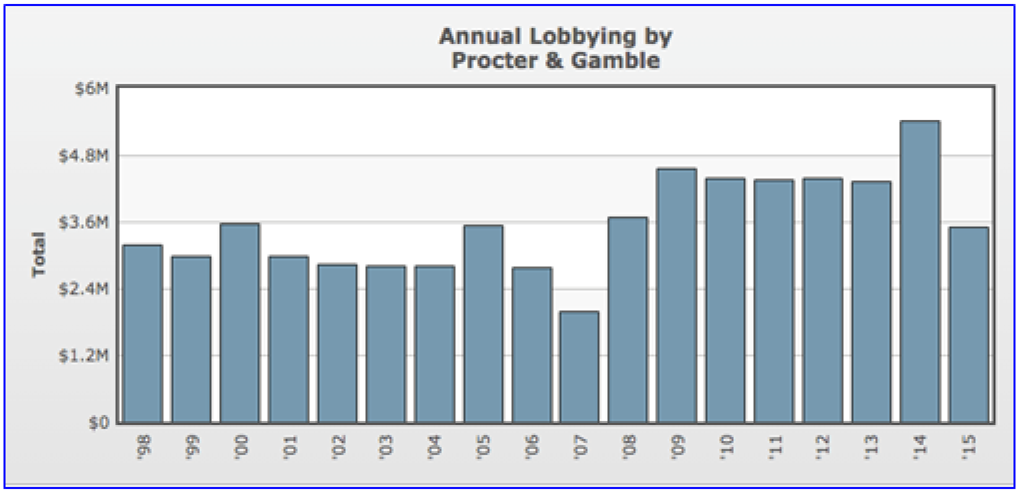
B. Societal Environment

Economic Factors

One rather current economic turn point Procter and Gamble is undergoing is their downsizing of product differentiation by focusing on their top ten successful products which accounts for over 80% of their sales. This is a response to the recent economic downturn, which resulted in reduced sales for Procter and Gamble. By doing this Procter and Gamble is hoping to become specialists in these specific categories, thus allowing them to regain their high sales volume and maintain a market leadership against competitors. In doing this they hope to increase their net earnings by offering innovative and cost-effective outlets in congruence with the efforts of specializing on their ten most profitable brands.

Political Factors

Government regulation is an inevitable for large conglomerates in America. Specifically relating to Procter and Gamble, there is a large amount of lobbying that takes place due to their political involvement. P&G has a Global Government Relations and Public Policy team which represents the Company's point of view in Washington D.C in the United State capitals and in key country capitals around the world.



Working with the businesses, P&G and GGRPP focuses on legislative and public policy issues that impact the Company's bottom line and long-term business interests. Procter and Gamble complies with all U.S. federal and state laws, including the Lobbying Disclosure Act and Honest Leadership and Open Government Act. This requires reporting on lobbying activities and certification of compliance with congressional gift rules. In 2013 Procter and Gamble had reported spending $3.96 million in the lobbying disclosure reports.

Technological Factors

Technology is a huge opportunity and simultaneously threat for Procter and Gamble as they are currently using top scientists and innovative tactics to break the ceiling of product efficiency and production. As mentioned earlier, Procter and Gamble are triumphantly immersed in the world of sustainable efforts and with that comes a demand for advanced technology. In order to measure safety of consumer goods, Procter and Gamble utilizes the advancement in computer technology to evaluate and rate the satisfaction of consumers with their product. This form of CRM allows for Procter and Gamble to continually improve and innovate their products allowing them to maintain leverage in the market. Another example of Procter and Gamble's use of technology would be their Global Business Services that provides technology, processes and standard data tools to enable the GBUs and the SMOs to better understand the business and better serve consumers and customers. Not only is technology used for understanding their customer, but it is also used to update and innovate their specified products. An example of this would be the most recent release of the Gillette women's razor that contours and slides to the shape of the shinbone. It is thanks to technology, Procter and Gamble can innovate in market research and product differentiation.

Socio-Cultural Factors

Procter and Gamble produces and sells everyday consumer goods to a large market. America – being a capitalistic society – places an abundant amount of emphasis on consumerism and household necessities. In a culture such as ours, Procter and Gamble is set up for success with the already established high demand for consumer goods. The way Procter and Gamble sets themselves apart from others is their competitive prices along with reputable name. The P&G has a substantial amount of positive rapport with being successful and innovative in their designated products. Being the producer and distributor of a brand such as Crest—a toothpaste that is not only affordable but backed by dentists worldwide—Proctor and Gamble maintains their reputation and competitive market advantage. Other less-known brands – such as their skin care product known as Sk-ii—are threatened to the competitors more so than Crest would be. It is their high prices and unrecognizable name that threatens their success. Right now Sk-ii is selling skin care products for $99-$229. This particular brand is a threat for P&G because unlike toothpaste, facial lotion is not an American necessity in our specific culture, thus creating a flexible demand allowing sales to digress during economic downturn.

C. Task Environment

Within a mature industry, P&G maintains several long-term strategies to curtail pressures from all six aspects of Michael Porter's approach to industry analysis.

Other Stakeholders

The stakeholder theory, postulated by R. Edward Freeman, determines how an organization can manage their ethical conduct to appease stakeholder desires. The stakeholder theory addressed morals, and values in managing an organization. Stakeholders are anyone who is involved with a particular company: NGOs, internal employees, external customers, shareholders,etc. According to stakeholder theory, business are responsible for their stakeholder's perception of the firm because they demarcate the purpose for the corporation's existence. Due to the proliferation of technology, and globalization, stakeholders have more access to a company's internal processes, and external relationships. The more socially conscious consumer population is forcing businesses to be more responsible, as environmental data shows consumers will avoid companies with unethical internal or external business practices. Companies who wish to admonish a strategic advantage will include primary stakeholders from employees to the consumer into their decision making process, as well as reputable NGOs. These partners can provide a firm with insight concerning a firm's brand image, and recommend actions that will augment their image. Specifically, the top ten companies in the CPG industry combine for $343 billion in gross revenue, and sell to over 6 billion people internationally, reaching almost the entire global population. Within the varying degrees of consumer purchasing ability also comes deviations in control over P&G.

Threat of New Entrants

Procter and Gamble, being a large and global company, has spent the better part of the last two centuries establishing their name and market niche. Having been founded back in 1837, they have had a significant amount of time to create brand image. These specific factors make the threat of new entrants only moderate for a company as large and established as Procter and Gamble. Though it is unlikely and extraordinarily hard for a company to compete on such a global level against Procter and Gamble, it is not unheard of. Because Procter and Gamble competes in 5 separate industries: Beauty, fabric care, home care, baby and family care, health care, snacks and beverages, threat of new entrants is exponential because they are competing against companies that specialize in just one of these sub-categories. For example, their leading competitor in beauty would be that of Avon however there are new beauty products emerging constantly. It is this large array of product sub-categories that allows Proctor and Gamble to have such a high threat of new entrants, however rated on a competitive standpoint, it is only moderate due to their long-lasting name and differentiated products.

Bargaining Power of Buyers

The overall bargaining power of buyers is high with Procter and Gamble. This is largely due to rising commodity prices, price competition and media fragmentation. With the everyday household products that Procter and Gamble supply, there are 20 others whom they compete with and are advertised through media outlets such as television and billboards. High amounts of media attention along with large competition in consumer products lead to a huge threat of buyer's bargaining power. When consumers are offered similar products for lower prices, they will often choose that route thus forcing companies such as Procter and Gamble to abide by the consumer's price demand along with the demand in product quality.

Threat of Substitute Product/Services

Procter and Gamble has a high threat of substitute products. As mentioned earlier, having a wide range of products simultaneously leads to having more potential for competitors in their five penetrated markets. Another reason the threat of substitutes is so high is the level of ease for one to produce such household commodities. Products such as detergents and razors exist in abundance and are highly competitive and penetrated markets. Procter and Gamble reaction to such a high threat of substitutes has been focusing on the top ten brands that are responsible for eighty percent of sales.

Bargaining Power of Suppliers

With a high bargaining power of buyers, Procter and Gamble has a low to moderate amount of supplier bargaining power. This is largely due to continually acquiring and merging horizontally and backward to benefit from cost leadership. However what allows them to have some power would be that of the reputation and quality rated products. Because Procter and Gamble has to deal with a variety of suppliers to supply them with the goods for their vast products, they have a decent amount of pull with said suppliers. A supplier wants a company to buy their supplies so they can turn a profit, and with a large global company such as Procter and Gamble, not only do they purchase a significant amount of supplies but they produce a quality product and sell it for a sensible price which ensures consumerism's demand to remain high thus allowing the supplier and distributor cycle to continue.

Rivalry among Competing Firms

Procter and Gamble has a high rivalry among competing firms with over 80 competing companies globally. However, Procter and Gamble has been successful at continually producing favored products and altering such products to meet consumer's demand. This has largely been affected by their focus on research and development programs. Though there are a large amount of products that can replace the ones produced by Procter and Gamble, what these competing firms don't offer is a mutually beneficial relationship that allows for Consumer ideas and opinions to be heard. It is this relationship that has set Procter and Gamble up for a sustainable future. Their ability to meet demand and remain flexible while still maintaining quality has allowed P&G the opportunity to maintain ahead in all their different markets.

D. Summary of External Factors

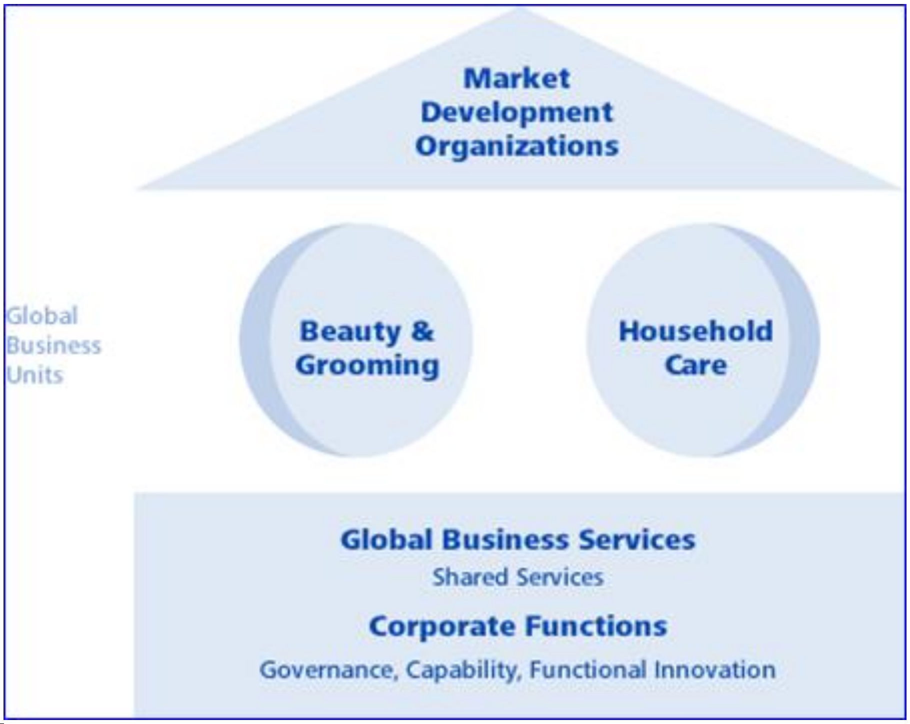
In conclusion, based on the above analysis, it is clear to see what exactly is responsible for the success of Procter and Gamble and what could potentially be the demise of such a global company. Procter and Gamble is a reputable name with a large amount of differentiated products that people use in all cultures, especially here in America. With that competition is high, however P&G maintains their upper hand through extensive customer interaction in the research development department. Along with giving the consumer what they what, they maintain a sensible and reasonable price margin which in turn allows them to stay afloat in such a heavily penetrated market. It is a combination of these external forces that have led to the growing success of Procter and Gamble and continue to affect its sustainable future.

External Factors	Weight	Rating	Weighted Score	Comment
Opportunities				
Sustainable Efforts	0.35	4.8	1.68	Currently in the process
Product Focus	0.1	3.2	0.16	Recent switch, currently adjusting
Technology	0.05	3	0.15	P&G strong with innovation
Threats				
New product advances	0.3	3.6	1.08	Constant innovative tactics
Substitutes	0.15	2.8	0.42	Questionable due to brand recognition
Water Availability	0.05	1.4	0.07	Threat of California for product manufacturing
Total Scores	**1**		**3.56**	

IV. Internal Environment: Strengths and Weaknesses (SWOT)

A. Corporate Structure

Procter and Gamble's corporate structure has come a long way over the years and slowly molding into competent governances that has limited inefficiency. This unique organizational structure offers the global scale benefits of an international company and the local focus to be relevant for consumers in roughly 180 countries where all their brands are sold. This structure provides the framework that allows Procter and Gamble to tap the benefits of a global organization with speed and efficiency. The global operations allows P&G to stay in touch with the local communities and their strong practices maintain the consistently high standards and integrity.



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P&G's organization structure is an important part of their capability to grow. It combines the global scale benefits of a 79$ billion global company with a local focus to win the consumers and retail customers in each country where P&G products are sold.

a) Global Business Units (GBUs) focus solely on consumers, brands and competitors around the world. They are responsible for the innovation pipeline, profitability and shareholder returns from their businesses.

b) Market Development Organizations (MDOs) are charged with knowing consumers and retailers in each market where P&G competes and integrating the innovations flowing from the GBUs into business plans that work in each country

c) Global Businesses Services (GBS) utilizes P&G talent and expert partners to provide best-in-class business support services at the lowest possible costs to leverage P&G's scale for a winning advantage

d) Lean Corporate Functions ensure ongoing functional innovation and capability improvement.

This specific Corporate Structure has been utilized for over 10 years now and has allowed Procter and Gamble to see more rapid global expansion of new innovations, better in-market implementation and amplified savings from purchasing scale and outsourcing partnerships.

B. Corporate Culture

When combined, Procter and Gamble's Purpose, Values, and Principles are the foundation for their individual corporate culture. During their 174-Year history, Procter and Gamble has adapted and evolved while these elements have endured and will continue to be passed down to the generations of Procter and Gamble employees to come.

Purpose:

"Provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will regard us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper" (Procter and Gamble, 2015).

Procter and Gamble believe it is their responsibility to be an ethical corporate citizen – but with that their opportunity is something far greater and is embodied in their purpose. Their purpose works to unify their corporation in a common cause and growth strategy. Not only do the brands of Procter and Gamble touch the lives of billions everyday but P&G has the opportunity to bring change in parts of the world that need it most. They can leverage the strength and reach of their brands, expertise in science and innovation and the formidable force of P&G people to make a difference in the world.
"Our shared Purpose attracts and unites an extraordinary group of people, P&Gers, around the world—the most diverse workforce in P&G history. Together we represent around 145 nationalities. Our recruiting and development philosophy to 'build from within' fosters a strong culture of trust and shared experiences. Our diversity, our shared culture and our unified purpose are the defining elements that enables Procter and Gamble to touch lives, and improve life every day" (www.pg.com).

Our Values

- Integrity
- Leadership
- Ownership
- Passion for Winning
- Trust

Our Principles

- We Show Respect for All Individuals
- The Interests of the Company and the Individual Are Inseparable
- We Are Strategically Focused in Our Work
- Innovation Is the Cornerstone of Our Success
- We Value Personal Mastery
- We Seek to Be the Best
- We Are Externally Focused
- Mutual Interdependency Is a Way of Life

C. Corporate Resources

Marketing

As of July 1st this year Procter and Gamble has recently undergone the "elimination" of the word marketing in their company. Hundred of marketing directors and associate marketing directors at the world's biggest advertising spender will officially become brand directors and associate brand directors. This move is part of the organization re-design P&G announced in February. The move of Marketing to brand management is to primarily focus on strategies, plans and results for the brands. By eliminating marketing from the title and organization, it is not their goal to eliminate marketing, just simply to broaden the name and widen their view of what marketing is. Brand management at Procter and Gamble now encompasses four functions: brand management (formerly known as marketing), consumer and marketing knowledge (market research), communications (know as public relations) and design. Along with this shift in title, P&G is now housing these brand management organizations within its global business units rather than parts residing in reconfigured regional units. This consolidation is aimed to eliminate overlapping responsibilities between the global and regional organizations. This will also help P&G unify brand-building resources to focus on delivering better brand and business results.

Along with expanding the scope of the brand directors, eliminating the word “marketing” also puts Procter and Gamble in the lead of innovative marketing world, or what was the marketing world. The title has existed in Procter and Gamble since 1993, so this huge change shows P&G’s flexibility and willing to adjust with the changing times. It is very forward thinking and helps Procter and Gamble sustain for future endeavors.

Product

Procter and Gamble offers a wide array of products and brands. As mentioned earlier they are in five penetrated markets. Beauty and grooming products are as follows: Anna Sui, Fekkal, Naomi Campbell, Safeguard, Fusion, Natural Instinct, Nice and Easy, Gillette, Olay, Puma, Pert, Zest, Cover girl, Dunhill fragrances, Herbal essences and etc. Health and Well-being brands: include Align, Always, Scope, Oral-B, Pur, Vick and etc. A more heavily penetrated category is that of the household care brands. Some of the brands include: Tempo, Fairy, Gain, Ariel Downy, Ace, Charmin and etc. Most of these products have even further differentiations within them. For example, Safeguard has the options of Safeguard pink and Safeguard white. With the combination of vast product and differentiation, Procter and Gamble has a stable Product development in the marketing mix.

Place

Procter and Gamble products are available almost all over the World. They distribute their products to 140 countries with approximately 5 billion consumers. Procter and Gamble uses a third party logistics system to distribute their products on such global level. DHL Courier is the provider of this efficient supply chain. P&G has manufacturers and distribution networks worldwide in places like the United States, China and India.

Price

Back in the 1990's era Procter and Gamble incorporated the value pricing strategy. During this time they increased efficiency and advertising by 20 percent. Within the following six-year period this particular strategy resulted in higher brand loyalty and stronger brand image. Now days, P&G has the most effective pricing of its brands and customer loyalty is as enough that they are willing to pay extra for company's brands. It took years of branding and offering high quality products for sensible prices, but now Procter and Gamble has a substantial market niche and reputation, which enables P&G to adjust prices without losing their loyal customers.

Promotion

In today's technological advanced world, there are numerous ways to promote. Procter and Gamble uses a variety of promotional outlets such as TV ads, billboards, and the Internet. Procter and Gamble was even awarded the Advertising Hall of Fame aware in 2010.

Research and development

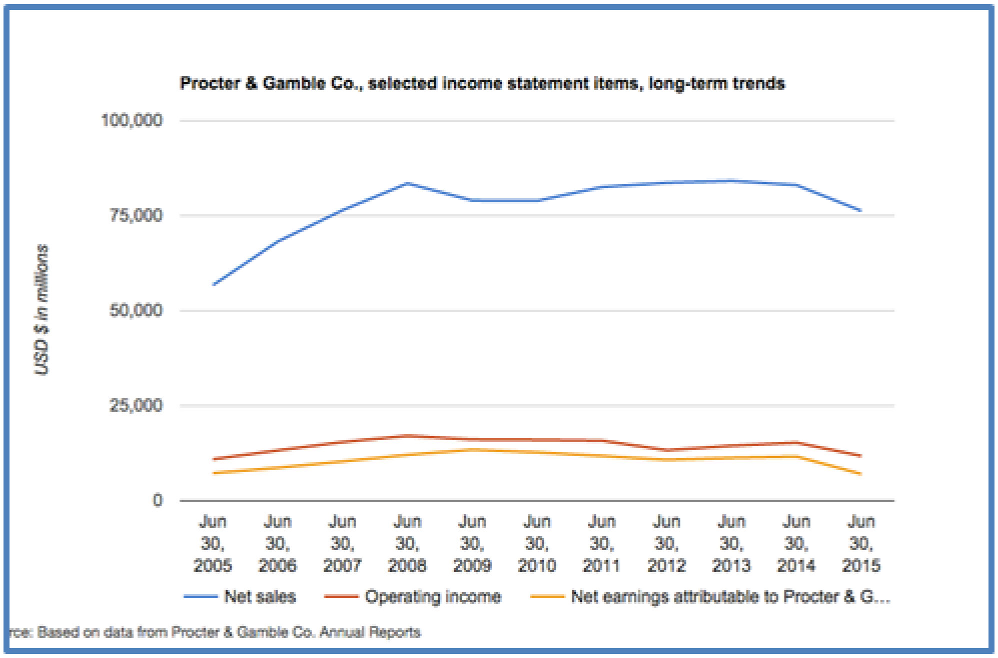
Procter and Gamble's huge competitive advantage would be that of its research and development emphasis. The world class innovative Research and Development at Procter and Gamble provides the superior products on which its commercial success is based. This involves creating new products and technologies to serve the needs of the consumers. Such examples of these innovative tactics put to work include that of Crest White Strips, Gillette shaving products, Tide laundry detergent and many other leading brands.

The Process

Innovation starts with a deep understanding of the consumer and their needs. It is all about connecting what is possible with what is needed. To make this happen Procter and Gamble have more than 1,700 scientists and researches worldwide, many of which hold PhDs. In order to understand the consumer, P&G must conduct a range of research. Their basic research is the basis of this step. It is driven by the scientific interest to further P&G's internal knowledge of their 11 core competencies. Such basic research includes identification and sequencing of genes, enzyme expression, molecular modeling simulation and use of X-ray crystallography to identify enzyme structure. This basic research lays the foundation for the applied research conducted in the Research and Development sub disciplines. Following the basic research is the formulation science. During this phase of the Research and development process innovative technology is utilized to aid researchers in finding the most effective, safest and aesthetically pleasing ingredients.

Finance

In their public annual repot, A.G Lafley, Chairman of the Board, President and Chief Executive Officer stated a 5% decrease in sales thus resulting in a negative 6-point credit mainly due to the impact of foreign exchange. He goes on to explain that the year of 2015 was particular difficult due to the weakening developing market economics and unprecedented negative impact of foreign exchange. From their most recent income statement, one can see the decrease in net earnings. Procter and Gamble has never earned so little in the past ten years. Though Procter and Gamble has higher sales in 2015, their operating income also increased significantly thus causing the lowest net earnings ratio for the decade.



On an all-in GAAP basis, earnings per share were $2.44, down due to significant one-time charges and restructuring costs. Core earnings per share were $4.02, down 2%, including a 13-point, $1.5 billion negative impact of foreign exchange. On a constant currency basis, core earnings per share were up 11%. Despite the sales and earnings pressures, Procter and Gamble continued to generate strong adjusted free cash flow result in in $11.6 billion. For the past five years Procter and Gamble has returned 60$ billion back to shareowners—averaging 12$ billion a year. They overall goal is to increase this number to $70 billion over the next four years through a combination od dividend payments, share retirement and share repurchase.

Though the year of 2015 wasn't the best numerically for Procter and Gamble, it is the mark of the 178th year in business. A company does not last for that long if its management is not willing to change anything and everything, excluding its purpose and core values. With this in mind, Procter and Gamble are leading the most comprehensive series of change in the Company's history. They are putting the strategies and capabilities in place to transform P&G into a rapid growing, more profitable and even simpler company.

Operations and logistics:

Operations

Procter and Gamble has operations in about 80 countries, however their well-known products and trusted brands touch the lives of consumers in more than 180 countries. A large distribution network is used to operate on such a global level in dense consumer markets such as India and Japan. Their operations process has extensive consumer interaction from the start of product manufacturing to the delivery of the finished good. The entire process starts with defining demand and creating a product that meets specified demand. This is done through their many research and development programs that were discussed previously. After demand is stated, Procter and Gambles uses their reputable scientists and engineers to develop a product that meets what the consumer specified and also surpasses quality expectations. Once the product is established, a reasonable price is set and the product is released into the market through an organized elaborate supply chain. The supply chain does not end there. Procter and Gamble then conduct research on product effectiveness and overall satisfaction. If changes need to be made, their flexible operations allows for such changes and thus the cycle repeats itself. An interactive, flexible system of operations leads to a successful and sustainable company.

Procter and Gamble's operations and logistics align with their core values and overall goal for sustainability in the future. As mentioned earlier, innovative practices paired with quality and affordable pricing is how they intend to stay in business and increase shareholder's profits. Currently they are undergoing many improvements to their operations system—many of those improvements focusing on environmental sustainability. Developed in partnership with several world-renowned architectural and construction firms, Procter and Gamble's 77-pooint plan for eco-smart design and operations is considered industry leading in its breadth and scope. As of currently, this plan in particular ahs been used on more than 20 new sites, and is intended to be used in an additional 19 new manufacturing plants over the next five years.

The new plan centralizes on facility water being 100% recycled, with wastewater and rooftop rainwater collected and treated by a state-of-art on-site water treatment plant prior to reuse. Along with a holistic approach, all manufacturing and production stages form raw material shipment, auxiliary facilities and activities, carefully examining each step of the final product shipments are implementing sustainability projects.

Logistics

Procter and Gamble has worked diligently to optimize their efficiency in the logistics stage of the supply chain. In order to become more efficient, P&G has decided to eliminate those inefficient aspects of their supply chain. For example, they have rid themselves of loading and unloading delays, dead legs (known as empty trucks) and transport upcharges due to rushing products. They have implemented a logistics optimization program—Control Tower—which enables a more seamless, holistic approach to moving raw materials as well as finished products through the supply chain. The combination of eco-friendly operations and competent logistics allows Procter and Gamble to maintain success in the very competitive market of consumer goods.

Human resources management

Procter and Gamble likes to promote from within the company for a variety of reasons. They feel someone who has already established employment with P&G are more likely to stay. Procter and Gamble, being a well-known and long-lasting company desires candidate that desire to stay with the company for the duration of their working careers. They feel the longevity of their employees establishes uniformity and reputable loyalty within the company. Procter and Gamble feel that promoting from within enhances employee's morale, organizational commitment and overall job satisfaction. Along with creating a mutually satisfying work environment, the internal promoting approach is also cost effective in comparison to external recruiting processes. Ideally, employees are promoted based on their qualifications and experience.

Employment Training

Procter and Gamble use an in-house training program where employees are trained not only regarding their technical or academic skills, but also learn to enhance their interpersonal skills so they can develop better group work capabilities and work efficiently when facing challenges during their working career in the future. Procter and Gamble feel their training program is an integral part of working with the company. In order to make the company run smoothly, everyone needs to be able to approach all challenges in a manner that allows for minimal conflict and maximum productivity. Part of the training emphasizes the integral communication that needs to be had with a multinational company. For example, if a plant at Japan does something new or applies an new strategy which is successful, people are sent from there so as to learn them and apply it into their operations. Consequently, on job training takes place constantly.

Information Technology

In order to be one of the most successful consumers packaged goods Company in the World, a competent global information system is used to maintain organization and success. For Procter and Gamble specifically, they use SAP applications. They started using the enterprise resource planning system (ERP), which was implementation by SAP. It implemented a centralized ERP and supply chain base that delivers significant economies of scale while still being able to support the company's business plans. A problem P&G faces was that it was a large global enterprise. It was a great challenge to SAP to provide an ERP system capable of adjusting to the demands of P&G. AS discussed earlier, the overall process needs to be flexible to the needs of local geographies, therefor the implementation of IS was complicated and integral.

Current Information Systems used at P&G:

- **Finance Systems** (also known as transaction systems): handle the closing of the books across all operations, however production costing is deployed at plant level, to define standard costs by plant.
- **SAP Human Resource system**: handles the entire employee base that work for Procter and Gamble. Though there is some staff at P&G who are paid through local systems, staff for 10 key countries is paid through its shared services center using SAP Payroll.
- **SAP Supply Chain Systems:** This is one of the most critical systems in Procter and Gamble. Geography or business unit organizes the system. Roughly 80% of order

management is handled separately by two large in-house-developed mainframe applications that are linked to the SAP systems.

- **SAP Production Systems:** Operate on a range of different service-level agreements according to individual business unit requirements. All of the hardware is located in three regional data center hubs.
- **Internet Website:** The website was adopted primarily to help consumers fulfill their transactions and buying experiences online. Perfect example of the flexibility P&G pride themselves in. The Internet Website has been the result of significant revenue increase.

In conclusion, Procter and Gamble has adopted what many other large-scale enterprises have yet to accomplish, a standardized global ERP deployment with a centralized infrastructure that is flexible enough to support its global business plans.

D. Summary of Internal Factors

Procter and Gamble is a multinational company that has experienced much success during its long tenor in the consumer goods market. Primarily, its most renowned strength would be its Information Technology systems. Such a successful integrated system has benefited the overall company's earnings by eliminating waste and unnecessary overhead. In order to maintain their highly recognized flexibility, the success of supply chain and logistics is critical. Though P&G's financials have suffered in the year of 2015 in comparison to the years prior, they are currently undergoing huge inner company change. Part of their success is owed to their ability to change with the ever-shifting market and that is currently what P&G is undertaking. The internal change and focus on only ten of the consumer brands will ideally raise shareholder's profit exponentially thus launching P&G back into the profits they experiences back in 2009.

Internal Factors	Weight	Rating	Weighted Score	Comments
Strengths				
Corporate Structure	0.3	4.1	1.23	Highly Efficient
Marketing Mix	0.2	3.9	0.78	Leader of Market
Research & Development	0.15	3.2	0.48	Know their Consumer
Weaknesses				

Current Financial Standing	0.2	3.8	0.76	Low net earnings in 2015
Control Tower Logistics	0.1	2.4	0.24	Relatively Expensive global operations
Product Differentiation	0.05	1.8	0.09	Recently reduced/ affect sales
Total Scores	**1**		**3.58**	

V. Analysis of Strategic Factors

A. Situation Analysis

Procter & Gamble's current environment is wroth with hypercompetition, due to an established consumer goods industry with accelerated changes in corporate portfolio, and improvements in technology. Disequilibrium of the consumer packaged goods (CPG) industry has ensued, and forced P&G into an analyzer position where they must emphasize brand’s with long-term sustainability. The current consumer goods market has increased fragmentation, with variability in options, and demand for lower costs due to depressed wages globally. Even emerging economies, like China are proportionally more price sensitive, with lower “consumer spending growth” (Shriram, 2015). To induce greater brand equity by differentiating their brand from the competition, Procter & Gamble has emphasized cause oriented communications to carve out a fragmented affinity towards their brand. Consumers are also becoming more peripatetic, and time sensitive, which has forced the consumer goods industry to amplify mixed media efforts, to gain brand retention. Companies like P&G will have find a communications niche which coalesces a value proposition that is more worthy than the easily accessible, and less expensive, private labels. Competing Firms like P&G, and Unilever have made divestitures in their brand portfolio of categories that do not encompass their distinctive corporate capabilities. Instead they expanded the depth of their most profitable brands by expanding their product lines to offer the dichotomous consumer market affordable value products, and higher margin products. For future growth capabilities, P&G will have to decide how many divestments they can maintain while still growing revenue through minimalized product categories. The Firm may have to make acquisitions in growing markets to remain a hypercompetitor amongst an expanding name-brand market globally. To venture into these new markets, P&G will need to offer both luxury brand, and value brand products while differentiating their brand image to create a preemptive strike on their competition.

Distinctive Capabilities Focus in Industry

Industry O-TSR Growth

The consumer packaged goods industry as a whole has seen an annual average proliferation of Operating total shareholder returns of 10% for the past 30 years (Chatterjee, et al., 2010). The industry O-TSR rate has even eclipsed the information technology industry, making the CPG industry one of the most hypercometitive internationally. Increasing global world product (GWP), and the expanding Purchasing Power Parity (PPP) rate amongst emerging economies, and global trade deregulation is spurring the astronomical growth within the CPG sector. Consumer packaged goods firms are relying on interactive technologies to reach a broader market to remain competitive amongst other global conglomerates. The Industry is also relying on increased shareholder investments to raise capital to substantiate entrance into new markets. Firms like P&G are having to find unique ways amongst violent competition to capture a greater share of investment, and are pointing to their superior O-TSR as means of gaining capital. In this circumstance, Procter & Gamble falls into a ceaseless cycle where they must return more to investors, while simultaneously being more profitable through continual product, and design innovation that generates augmented revenue. To expand O-TSR, the Firm must overcome the paradox of being a prospective firm, focusing “on improving innovation and market opportunities,” while operating more efficiently (Wheelen, Hunger, Hoffman, & Bamford, 2015, p. 112).

Acquisitions & Divestitures

Consumer Packaged Good firms are no longer attempting to broaden the width of their brand portfolio, and are now focussed on increasing their depth. Firms are acquiring brands internationally with coherent core competencies, to create symbiotic relationship throughout the separate business units. Brands that are not capable of meeting the firm's strongest competencies are divested; this process has enhanced the ROI of firms within the industry by focussing resources more efficiently. Procter & Gamble has made similar acquisitions, and divestments within their portfolio to induce resources into its distinctive capabilities. The Conglomerates strongest brands within its portfolio are in the personal, and homecare sectors, while their weakest are in food, and prescription drugs. To heighten focus within its hypercompetitive market, P&G divested all food products, and invested capital in research, and technology for Gillette, Clairol, Pampers, and Wella: products within the personal care segment. A concern for P&G is staying competitive, and making impactful acquisitions which grant entry into new markets, when the Firm's products have essentially become commodities. According to Vernon's "international product life-cycle theory", most products within the CPG industry have reached the mature, or saturated stage of the international life-cycle (Chinen, 2015). Products like Colgate, can now be easily replicated, and made at far less expense than through P&G's value chain, which demands that the Firm will have to invest in innovation to remain competitive within a mature market.

Propitious Niche

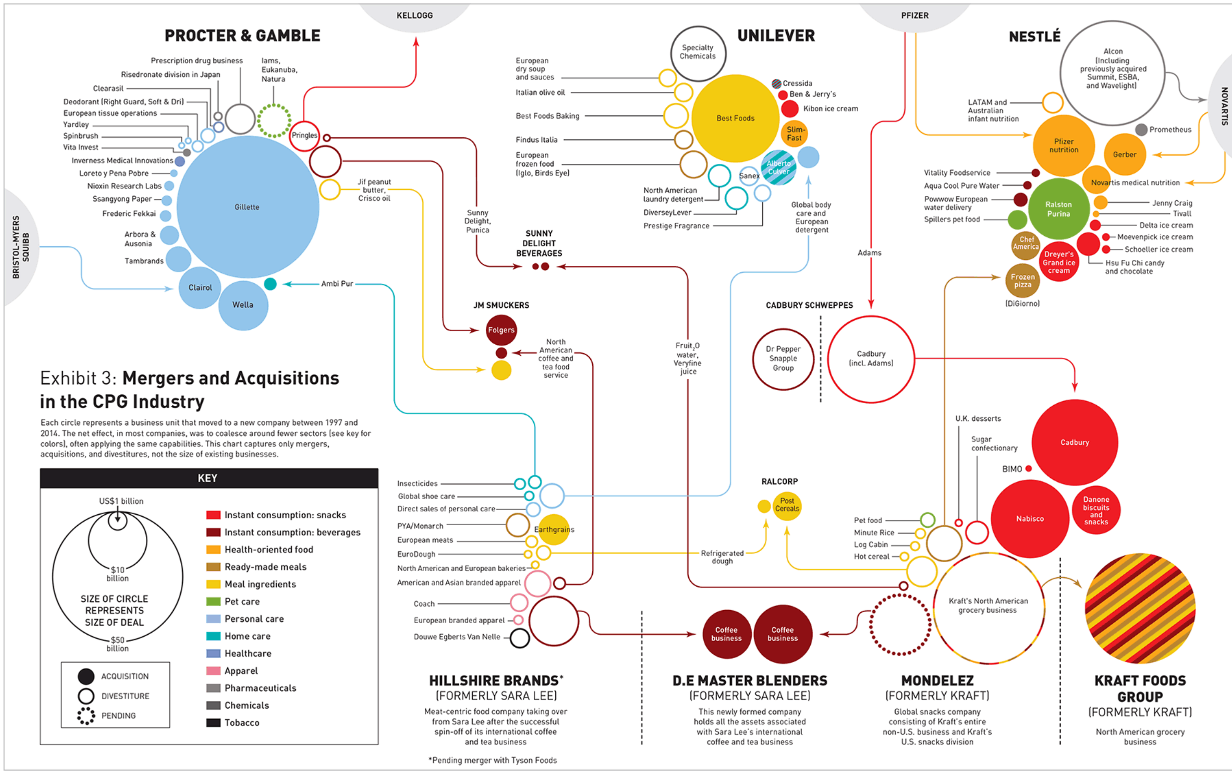
Technology based Innovation in Design

To stay afloat in a hypercompetitive CPG market, P&G has invested over $2 billion in research & development for 2015. Michael Porter's Diamond model for international competitive advantage advocates for firms, like P&G, to lead with innovation in product development; due largely to the corollary between industry success, and level of national competition (Hill, 2016, p.180-182). The US CPG market has the highest level of international competition, which fosters a national market with the highest level of unique products. To gather external data the Firm has become a leader in focus group surveys where qualitative data is taken to advance modeling before trial. Once a product idea has been cognized, inter-business units work with researchers to review digitization, and modeling of the product to ensure the product meets cross-unit standards. The cross-unit teams create a synergetic environment, which allows for more evaluation before the prototyping process (Corporate Structure, n.d.) With 26 different locations around the globe, P&G makes the research process agile, and completely ongoing, while the competition has distinctive centers within national borders, and uses a waterfall creation approach. The Firm has carved an industry niche where it uses a sophisticated hiring process to ensure that only the best international alytic talents are recruited (Dyer, & Gregerson, 2012).

Feature & Cause based Marketing

While other CPG firms have emphasized either tangible, or cause marketing, Procter & Gamble invests in marketing in both formats. With the CPG firms have consolidated brands to emphasize core capabilities, P&G has fewer competitors within the personal care sector: the Firm's most efficient target segment. In the male shaver market, where Gillette holds 20% share, P&G exploits its technological advantages, with quarter product improvements. Similarly, the Firm uses feature marketing in other segments where products are at the introductory stage of the product life-cycle. On the Firm's cause orientation, the Company has partnered with groups from Unicef, local charities to emphasize commitment to community in which it supports. For instance, Pampers donates neonatal tetanus vaccines in 47 countries to support the brand's image of supporting a child throughout development. With the combined effort of both cause based marketing, and feature based marketing, Procter & Gamble is able to dive into the current escalation of communities through the internet. Here, the Firm became the first-movers within the consumer packaged goods industry to create brand communities that allowed their cause and feature based marketing to proliferate.

Consumer Goods Industry Landscape



B. SFAS Matrix

Strategic Factors	Weight	Rating	Weighted Score	Short	Intermediate	Long	Comments
Sustainable Efforts	0.309	4.8	1.4832		x	x	Currently in the process
Corporate Structure	0.26	4.1	1.066			x	Highly Efficient
Current Financial Standing	0.171	3.8	0.6498	x			Low net earnings in 2015
New product advances	0.26	3.6	0.936		x	x	Constant innovative tactics
Total Scores	**1**		**4.135**		**x**	**x**	**Currently in the process**

C. Review of Mission and Objectives

Fit between Current Mission Statement, and Strategic Factors

The openness of Procter & Gamble's missions statement allows the Firm to adjust to its volatile environment, while staying true to the purpose of the corporation. However, the Firm has been adjusting to its task environment which requisites greater focus on a company's core competencies; this should entail that P&G narrow its mission statement to reflect the Firm's current brand portfolio. Procter & Gamble's mission statement should provide a common thread, which unifies the ideology behind the Firm's adjusting portfolio, or the corporate leadership "may be unclear about where the company is heading" (Wheelen, Hunger, Hoffman, & Bamford, 2015, p. 168). The Firm articulates this statement current statement, "We will provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper" (Procter & Gamble, 2015). Yet, the Firm does not mention corporate responsibility, or sustainability, which the P&G has strived to be industry leaders in over the last five years. Researchers Haesun Park-Poaps, and Kathleen Rees found that firms who mentioned some aspect of Corporate Social Responsibility (CSR), had higher brand equity, higher earnings per share (EPS), and less stakeholder retaliation. To be competitive within the CPG industry, P&G may wish to articulate responsibility efforts in its mission statement because of a cause oriented stakeholder environment.

Fit between Objectives, and Strategic Factors

Corporate Objectives

P&G corporate objective of delivering "total shareholder return in the top one-third of their peer group" does not entail the current situation the Firm faces (Procter & Gamble, 2015). Surely P&G should strive to be amongst the leaders within its peer group as this objective is long-term in nature; however, stakeholders within the Firm's task environment are increasingly becoming concerned about social responsibility. Overall corporate growth since the 2009 recession has stagnated in relation to original returns. Investor returns were highest from 1985-2000, when globalization was the largest trend for S&P 500 affiliates, and P&G averaged 13.8% EPS (Brenne, Kelly, & Martinez, 2013, p. 3). With Procter & Gamble approaching its 180th birthday, and most markets being open following international trade deregulation, there is far less room for expansion, which has pushed the Firm to more Organic growth. P&G business objectives of organic growth should be more reticent within corporate objectives because organic growth is more foundational within the current environment. Making responsible growth clearer to shareholders will align the demands of stakeholders, and sustainability goals with their objectives. The firm also explicitly states that "at P&G, sustainability is part of everything" it does; which by logical plausibility standards of philosophy of science would urge the Firm to explicitly mention CSR to achieve higher returns (2014: Sustainability…, 2015). Logical plausible theorizes that internal consistency permeates stronger coherence, and because the corporate objective should set the stage for the rest of the corporation, greater internal consistency will be relevant through mentioning CSR within the corporate objectives (Vaidya, 2007).

Business Objectives

As stated above, organic growth should be reflected in the corporate objective as it is more reflective of the nature of the business as a hole. Organic sales growth has been an antecedent parameter of the Firm's business focus: when advertising dominated its pull strategy. Now that the CPG market is laden with portfolio consolidation, the focus of the business units should be to emphasize core competencies. By following the CSR objective designed by the corporate objectives, the business objectives should garner greater specificity of carrying out the Firm's responsibility efforts. A Gallup poll revealed Firm's with greater internal consistency earn 3.9 times more earnings per share. Following the Corporate goal of augmenting EPS, the P&G's category divisions should be concerned with hiring individuals with technological proficiency to create a more innovative environment, which will garner greater product reputation than competitors. Part of triple bottom line sustainability is social sustainability, and with international manufacturing, the Firm can increase equity by maintaining higher SA8000 rating concerning internal operations. By achieving a higher rating, Procter & Gamble can avoid regulations; annual statistics from 2013 revealed firms lost 5% of their revenue from CSR environmental, and social regulations (Association…, 2013). Here the firm should set hire-ability goals that are calculable in the form of loss prevention numbers; for example, Procter & Gamble will increase innovation through hiring personnel with analytic adroitness to create more sustainable products for generations to come, and reduce financial waste. Our research group posits that P&G will align its current situation more closely with business objectives through a revision synonymous with the one mentioned in the prior sentence. The Firm should also posit more definitive numeric objections; such as a 90% closed loop operations system by 2020, which current operations suggest will partially be fulfilled through their water recycling process commenced by current manufacturing.

An additional take on the Firm's business objectives should be to find a way to enter untapped markets. In 2012, the Firm entered Nigeria with a $250 million manufacturing plant, to enter a market that is predicted to become the world's third largest country by 2050. Personal care products that are reaching their mature stage of the product lifecycle should have the objective of increasing product production efficiencies. This requisites working in countries with means to produce personal care items on an immense scale, while also offering affordable labor to create efficiencies.

Functional Objectives

The Firm's has predominantly reasonable functional strategies, with the exception of specifying the denumeration within writing. Procter & Gamble should create more calculable functional objectives to contract the divide between its environment, and objectives.

To extend the Firm's objectives in research & development, it should explain the intended posteriori results, and deviating needs within each operating product category. In the business objectives, the Firm states the general competitive advantage gained by inducing $2 billion in R&D, but neglects to mention that a portion of research is devoted to financing preventative diseases for children. Within the family care segment, the Firm should use corporate knowledge from prior research to foster a future goal analogous of efforts to educate growing economies of the importance of washing hands with soap. P&G has already educated schools about the importance of washing properly in markets within "China, the Philippines, Pakistan and Mexico, reaching 4.5 million students a year," and likely saving over 200,000 lives. Along with traditional financial objectives within the family sector, which is heavily influenced by brand reputation, P&G should also strive to meet philanthropic objectives. For example, the firm can state, "*our company will help educate 5 million students each year about the importance of sanitation."* An objective of this nature is calculable, and creates a more finite functional target.

VI. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives

As one of the largest companies in the CPG Industry, it is important for Procter & Gamble to consider its current strategies and possible strategic alternatives that are feasible and beneficial for its long term success.

Corporate Strategies

Stability: Profit Strategy

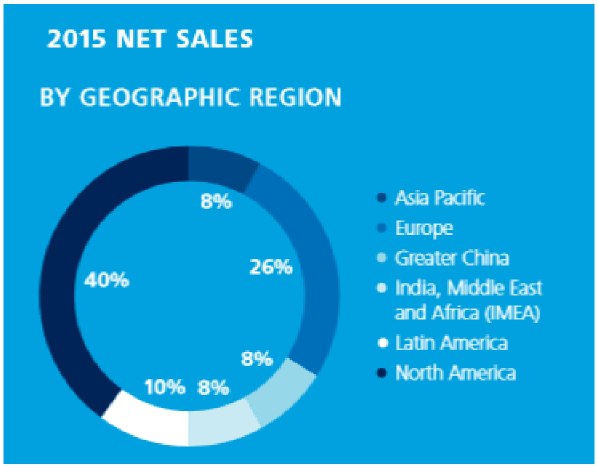
We do not recommend Procter and Gamble to follow a stability strategy based on its strategic objectives, however, due to its current financial state, it is important to take into consideration the stability of its profits and market share in order to remain a prominent company in the industry. As discussed in part (I) Current Situation,

Amounts in millions, except per share amounts	2015[1]	2014	2013
Net Sales	$76,279	$80,510	$80,116
Operating Income	11,790	14,740	13,817
Net Earnings Attributable to Procter & Gamble	7,036	11,643	11,312
Net Earnings Margin from Continuing Operations	11.7%	14.1%	13.7%
Diluted Net Earnings per Common Share from Continuing Operations[2]	$ 3.06	$ 3.86	$ 3.71
Diluted Net Earnings per Common Share[2]	2.44	4.01	3.86
Dividends per Common Share	2.59	2.45	2.29

P&G's fiscal 2015 annual report illuminated its impeded profitability. Net sales went down 5% compared to the previous year. Stability is a corporate strategy that is not ideal for the company, however, may result in stable financial position for the short run. Overall, P&G has put an emphasis in diving into the foreign market while spending an annual $2 billion in research and development (Dyer & Gregersen, 2012). Taking into consideration current foreign exchange rates and its massive investment in research and development, stability can be a viable option for the company if it follows the Profit Strategy. Following a profit strategy would allow for P&G to move forward without implementing anything new, while cutting back on investment spending until it can stabilize profits. However, the risks associated with Profit Strategy is that P&G will only see short term results, ignoring long term objectives.

Horizontal Growth

The preferred corporate strategy that Procter & Gamble should focus on is growth. As the company currently has 5 major segments, it has the capability of reaching consumers worldwide. P&G currently follows a horizontal growth approach and should continue to do so as it has a high potential for success. The continuation of horizontal growth entails expanding its products to other geographic locations and expanding the array of its products to the markets that it currently serves (Wheelen, Hunger, Hoffman, & Bamford 2015). One example we see P&G capitalizing on this strategy currently, is by its entrant to foreign markets. With its distinctive business segments and variety of products, P&G has the advantage over its competitors to introduce its successful products from North America to other regions worldwide (Wheelen, Hunger, Hoffman, & Bamford 2015). P&G is currently offering their products in North American, European, Asian, African and Middle Eastern, and Latin American countries. Its foreign market accounts for about 60% of its net sales. However, the con of pursuing foreign markets lies in the current exchange rate. According to USA Today, foreign exchange is predicted to be a 4-5% drag on sales growth for P&G (Coolidge 2015).



Furthermore, as an approach to pursue horizontal integration, Procter & Gamble has focused on developing a variety of new products over the years in its strongest product segments. In 2012, P&G introduced Tide Pods which was a breakthrough innovation in its Fabric and Home Care segment. At that time, P&G's Fabric and Home Care segment accounted for about 32% of its net sales (Procter & Gamble 2012). As discussed in detail in the industry external analysis, P&G faces high potential for substitutes due to providing a wide range of products. However, P&G has continually introduced variations to its existing product line, reducing possible niches its competitors may enter (Wheelen, Hunger, Hoffman, & Bamford 2015). If P&G continues to pursue a horizontal integration strategy, they will be able to capture targeted profits and market share while being able to attain their overall corporate objectives to achieve core EPS growth.

Acquisition

As discussed, acquisition illuminates another strategy that Procter and Gamble has the capability of pursuing; although, it has been unsuccessful in recent years, overall hindering growth. Acquisition involves acquiring a firm with similar or complimentary products within a different region. Having 5 business segments, a broad array of products, and currently focusing on foreign markets, acquisition is a feasible strategy for P&G to produce positive revenue growth in its global expansion if done correctly. The risk in pursuing an acquisition strategy is that the brand being acquired should be projected to grow the company financially, which assumes it will be a brand that is close enough to the current market offerings from the company in order to be manageable. In 2005, P&G acquired the Duracell brand which unfortunately fell into a different category than their current business segments. In 2011, Duracell had low contribution to P&G's stock and was contributing merely $2.5 billion of its total net sales of about $80 billion (Trefis Team 2011). The problem P&G faced in acquiring Duracell was emerging markets providing cheaper substitutes and the overall segment was heavily associated with the electronic industry rather than P&G's household and consumer goods products (Trefis Team 2011). Overall, in order for acquisition to be a viable option for P&G, it should consider brands that are closely related to their market segments. If pursuing this strategy, P&G should specifically target brands related to its most profitable brands such as its Fabrics and Home Care segment.

Retrenchment:

Divestment Strategy

For a large company with multiple market segments and brands, divestiture is a retrenchment strategy that can help the business sell off poorly performing brands in order to focus on the profit driving brands of the business. This is an ideal strategy that Procter & Gamble practices and should continue to consider for its low growth brands. Referring back to the example above, P&G's recent retrenchment strategy includes their divestment from the Duracell brand and its most recent efforts to sell over 100 beauty brands to Coty Inc. USA Today illuminates that Duracell currently holds more than 25% of the battery market worldwide, however, poses sluggish growth (Coolidge 2014). Moreover, Fortune describes P&G's sale of its beauty brands as its single largest divestiture ever (Wahba 2015). The Wall Street Journal emphasizes:

"P&G spent about $80 billion over the past two decades scooping up brands including Gillette razors, Duracell batteries and Iams pet food, only to end up selling some of them to focus on boosting sales of Tide detergent, Pampers diapers and other mainstays" (NG & Byron 2015).

If P&G continues implementation of divestiture, they will be able to emphasize on their highest profit brands, creating more niche driven production that will boost sales and focus on its task environment by eliminating threat from competitors.

Business Strategies

Business strategies serve as a way for companies to keep a competitive position in its industry. If considered, they assist companies in keeping a desired market share or capitalizing in the industry, ultimately combatting its competitors.

Cost Leadership:

In a fragmented industry such as the Consumer Packaged Goods industry, it is important for companies to continually strategize ways to dominate in cost leadership, as it is easy for consumers to choose from a wide variety of products offered by its competitors. Cost Leadership is considered when companies want to capture wide market share. Additionally, cost leaders usually have high bargaining power

over suppliers. Procter & Gamble's current strategy does not fully coincide with cost leadership, however, over the years it has attempted to pursue this strategy by cutting costs and strengthening its supply chain efficiently. P&G should only continue to consider implementing a cost leadership approach in its value chain if it is aimed at capturing a wider market share. Its current efforts to cut costs include its divestiture strategy. Moreover, regarding P&G's supply chain, Ana Elena Marziano, vice president of its global purchases stated,

"*We are in a transformation journey. It's a transformation that requires integration and synchronization of the entire supply chain, end to end. And it's a transformation that requires a totally different business model in the way we interact with suppliers in a way to deliver the required value of innovation.*" (Gunn 2015)

By implementing a Cost Leadership Strategy, P&G will be able to capture a greater market share, however, their consumers will have greater bargaining power over its products.

Differentiation:

Procter & Gamble's current business strategy more closely associates with differentiation, as it has successfully built a powerful brand. Differentiation is a business strategy that focuses on creating distinct products which can be priced accordingly, ultimately creating entrant barriers and effectively generating higher profits than cost leadership strategies. Differentiation should continue to be implemented by P&G due to strategy success thus far. Examples of P&G's succession with differentiation include its innovative products and brand build up. P&G's Crest brand has continuously introduced new products over the course of the decade in order to compete with its rival Colgate, including Crest Whitestrips, Crest Pro-Health, and Crest 3D White. All of these products are characterized as differentiated goods, aiding the brand to take the lead in the industry. Moreover, P&G has been able to attain brand loyalty in its penetrated markets with brands such as Tide, Charmin, Pampers, Gillette, Crest and Bounty. Specialization is

prominent in the CPG industry and through these brands, P&G has been able to lower their customers' price sensitivity. As discussed in P&G's marketing mix, overall, its consumer brand loyalty allows for it to practice value pricing. However, P&G should avoid pricing its products far above the threshold as it can encounter risks with this strategy, minimizing consumer value due to overpriced commodities.

Functional Strategies

Due to the highly fragmented environment of the CPG's industry, and the overall direction of P&G as a brand, it should continue to pursue the Research and development strategy. This strategy will provide the company with the necessary tools to develop products that will keep them relevant in the market and ahead of its competitors. Additionally, as a functional strategy, P&G has the option to focus on technology. Similar as R&D, this strategy will provide the company a basis to conduct business more effectively. Specifically, P&G can incorporate a technology strategy on its foreign markets in order to manage communication and processes at a faster pace. P&G can also implement technology in foreign markets by preserving its online presence and creating more brand recognition globally.

B. Recommended Strategy

Taking into consideration Procter & Gamble's internal strengths and weaknesses and the external environment in the CPG industry, there are a few key areas in which it should focus and implement corresponding strategies to different units of the corporation in order to generate positive results.

We recommend that P&G continues its current corporate strategy using a combination of growth in its most distinctive segments and retrenchment in its low profit generating segments. This will provide a means for the company to have a propitious niche as it continues to do so with its top brands such as Tide and Pampers, while being able to reach a wider consumer spectrum, specifically its international market. Continuing a retrenchment strategy will also financially benefit the company by lowering their manufacturing and marketing costs if it eliminates brands that do not generate its target profits.

As a business strategy, P&G should focus on staying a major player in the industry by more rigorously implementing a differentiation strategy. Since the company's purpose to relay products of value to its consumers, it should continue to build its brand recognition and deliver disruptive products. Again, this entails that the company should focus on its largest brands, always considering cost effective techniques in its production, but overall investing in necessary aspects which will contribute to generating positive sales, such as marketing.

Finally, due to its massive annual $2 billion investment in Research & Development, P&G should continue to implement R&D Strategy as a functional strategy. R&D Strategy is ideal for companies who focus on a differentiation competitive approach. P&G's continued R&D Strategy will aid in capitalizing on technological opportunities, while providing the basis for creating new products. By P&G's R&D Strategy, it has the potential to continue to serve as a leader in the CPG industry by providing the newest innovations for its current market and international segments, touching on its core purpose to produce quality products for its consumers and future generations. Its R&D functional strategy will also combat the threat of hypercompetition by utilizing technology to guide the production of new innovations that will maintain success over competing firms. Additionally, P&G's continuation of its technology strategy as a functional strategy will also provide the company with the opportunity to improve productivity. Currently, P&G has a technology program called Video Collaboration Studios which aides employees to connect faster internationally. This program has helped the company save $50 million annual by avoiding travel cost and time (P&G 2010). If the company continues to implement technology, it can find more cost effective techniques while still being able to focus its efforts in a differential corporation model.

VII. Implementation

A. New Programs

Our first recommendation strategy for P&G is to expand its profit making brands, and dispose of its brands that are not making any profit. Our second recommendation strategy is for P&G to continuing expanding its R&D. Luckily P&G has already taking a step towards accomplishing both recommendations. P&G has begun selling and disposing dozens of brands in its portfolio, while only keeping its most profitable brands worldwide.

Now that P&G is only focusing on its main and biggest brands, they need to develop a program that will increase its research and development efforts in order to improve its current products and also create products that will compete and/or create a new niche market. If this program is successful then the innovations created by Procter & Gamble will bring in millions of customers, translating to billions of dollars in profit.

This program would contain main two purposes. The first purpose would be to develop a new division of R&D that focuses on combining different product lines in order to improve a product or create a new niche product. An example of this would be to combine P&G's Bounty paper products with Febreze in order to create moist paper towels that have the fresh aroma of Febreze. The second purpose of this program would be to create products that are country specific. This means that the product would only sell well in that specific country/region. For example, say that in Mexico P&G invents a guava flavored Pepto-Bismol and it sells like hot cakes; this would be a country specific product because nowhere else in the world would this sell as well as it does in Mexico.

A program like this would have to be develop and overseen by CEO of P&G, David S. Taylor. He would have to be careful that the products developed in this R&D program don't get out of hand. P&G can't be putting out hundreds of new products a year and expect them all to be profitable; that's exactly what got them into trouble in the first place. For this reason, he would have to create a committee of P&G's best executives under different departments like: R&D, Marketing, CFO, and Global Brand

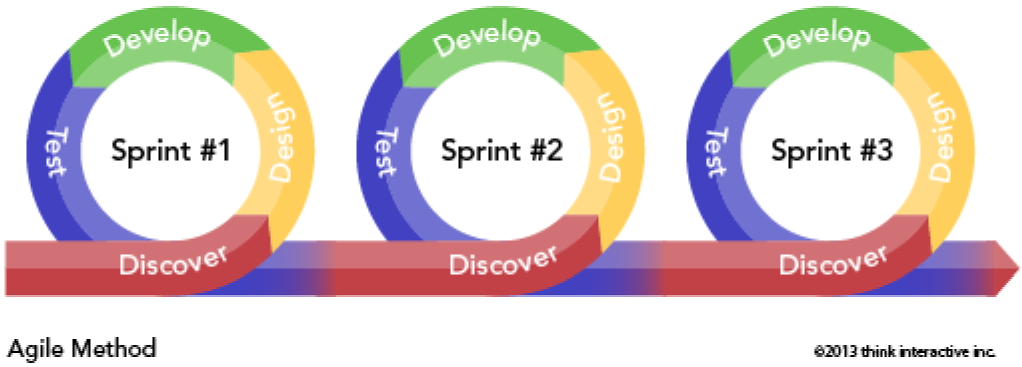
Creation and Innovation. These individual parties would then come together and discuss what products would be most beneficial for the company and its specific market.

B. Financially Feasible

This program would be easily financially feasible seeing that P&G has over 26 R&D labs around the world. P&G wouldn't have to build a new lab at all, just implement this program in each of its existing labs around the world. Although, it would become expensive if each R&D lab created hundreds of new products that wouldn't make it past the development stage. That's where the committee of the CEO comes into play. The committee needs to make sure that the R&D teams don't waste P&G's time and resources.

C. Operating Procedures.

As for operating procedures, I would recommend P&G to keep its current innovation process, the agile method. The agile method has four phases: Discovery, design, develop, and test. This method works like a revolving door; if the testing phase fails, then it goes right back to the discovery stage and repeats the cycle all over again until it gets it right. The agile design encourages communication and collaboration between all the parties involved in the R&D process. It also breaks down the workload into manageable pieces. Following this method will help P&G compete more efficiently in their respective market.



VIII. Evaluation and Control

A. Information System

Over the past few years Procter and Gamble has battled to remain a powerhouse in the CPG industry. Due to the declining financial stability of the company, it has implemented an information system that now aides in its efforts to evaluate its strategic progress and drive revenue. The Information system implemented consists of evaluation in a few key areas such as finance, human resource, the supply chain, and consumer point of sale. P&G uses SAP systems for most of the mentioned units. Its complex ERP has helped build a more cohesive infrastructure within the organization and P&G hopes that it will continue to prosper.

P&G’s overall objective of implementing an information system is to be able to identify specific units or functions of a business that need improvement in order to optimize strategies in place. It also serves as a channel for P&G to gauge the alignment of its policies to its production (Procter & Gamble 2014).

Finance

P&G uses information systems for finance by using transaction systems that monitor closing of books in all operations. Furthermore, they integrate systems to effectively collect data on average production costs by plant. They currently have over 40 manufacturing plants globally (P&G 2014).

Human Resources

P&G has technology in place to monitor payroll activity for employees worldwide. In 2003, IBM signed a deal to provide Human Resource services to P&G. The agreement vowed to improve services and reduce HR costs through technology (IMB). Moreover, P&G provides its employees a forum to submit their ideas for the company called “My Idea” (Hulbert, Capon, & Piercy 2003).

Supply Chain

One of P&G’s most important technology systems is that of their supply chain. P&G uses SAP systems in order to gauge progress in their supply chain up to the point of sale through real time feedback. P&G uses this information feedback to make purchasing decisions, create better marketing tactics, and ultimately ensure that products are adequately stocked in stores (SAP 2006). Former CEO Robert McDonald explains that P&G has different systems put in place from the manufacturing plants where data from the production line is available, to transport and logistics where they can keep tract of inbound and outbound raw material and finished products, to e-commerce where it can interact with its retail partners (McKinsey&Company 2011). Moreover, during recent years, supply chain management has become increasingly important to consumers and employees alike. P&G follows a Corporate Social Responsibility supply chain process which coincides with its objectives of Sustainable Growth. Through information systems and specific measures, it is able to gauge its supply chain activities and link them to its Sustainability objectives.

Point of Sale

Due to the CPG industry, P&G's products are largely sold at retailers, however, the company has created consumer directed websites for online purchasing and for the sole purpose of building and strengthening customer relationships. For example, P&G's Pamper Village is a website directed to their UK consumers that offers free advice, coupons, and samples (Clark 2013).

B. Control Measures

Through the discussed various systems in each business segment P&G can put specific measures in place to ensure conformance with its recommended strategies. The most apparent measure would be that of financial statements. P&G can use its income statement to determine where costs should be cut when determining what aspects of business should be focused on. However, P&G can also implement more complex measures in order to gauge strategy success. For example, as previously discussed, P&G is recommended to continue a growth strategy, since it is closely related to the current core purpose of P&G and its values. With a growth strategy in place, it will aim to reach a bigger market, overall inducing increased sales. As discussed in the Situation Analysis, and supply chain information technology, it is becoming increasingly important for firms to incorporate CSR in their supply chain in order to boost sales. Since the company already practices GRI measures, in order to evaluate their growth success, P&G can use these GRI measures to audit the efficiency of its value chain, overall aiming to achieve a high SA8000 rating and comparing it to their current sales.

Moreover, in order to ensure management and employee cooperation, P&G should continue to provide incentive plans to attain its strategic goals. The company currently recognizes its employees by providing extended personal time, offering them the option to work a designated % of time per week from home, and basic benefit options such as medical, life, retirement, and stock options (P&G 2015). However, P&G should create more incentive based programs, such as monetary incentives, within each structure of the corporation in order to maintain manager and employee collaboration.

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