

# Analysis of Procter & Gamble Company's Business Strategy Based on the Harvard Analytical Framework

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**Abstract.** Procter & Gamble (P&G), a prominent multinational consumer goods company, is renowned for its diverse product portfolio and commitment to delivering high-quality, safe, and reliable products to consumers. This paper presents a comprehensive analysis of P&G's business strategies, with a specific focus on three key areas. Firstly, it examines the company's operational aspects, such as product lines, market share, and competitive advantages. This analysis provides insights into P&G's performance, identifying potential growth opportunities and challenges in various domains. Secondly, the paper evaluates P&G's promotional strategies, including brand promotion, advertising, and marketing efforts, to assess their effectiveness and address potential challenges. Lastly, the paper outlines recommendations for improving P&G's business operations and promotional endeavors, emphasizing their significance in enhancing competitiveness and ensuring sustainable development in the dynamic consumer goods market. In conclusion, this analysis aims to offer valuable insights and constructive recommendations for P&G's future development, contributing to its continuous growth and success in the global market.

**Keywords:** Harvard Analytical Framework, Business Strategy, business operations, promotional endeavors

## 1. Introduction

The Procter & Gamble Company, also referred to as P&G, is a leader in the worldwide consumer goods sector. P&G has a significant presence in both developed and emerging economies because of its broad portfolio of well-known brands in a variety of categories, including beauty, grooming, health, and household care [1]. This study conducts a comprehensive analysis of Procter & Gamble Company's financial statements based on the Harvard Analytical Framework. By examining and comparing various financial indicators and ratios, it aims to gain insights into the company's financial position and performance, evaluate its financial stability, ability to meet short-term obligations, and operational efficiency. Furthermore, these findings provide an analysis of Procter & Gamble's future prospects and offer scientifically sound managerial recommendations for the company's development.

## 2. Literature review

### 2.1. Financial statement analysis and Harvard Analytical Framework

Financial statement analysis is one of the most traditional and effective practices in corporate management and plays a crucial role not only in helping enterprises understand their current development status but also in formulating future development strategies and making decisions [2]. Generally, methods such as ratio analysis and structural analysis are employed to organize and analyze data, thereby deriving financial indicators that have an impact on the company. Subsequently, these indicators are used to assess the company [3]. However, traditional financial analysis has certain limitations, such as neglecting the operational environment of the enterprise. To address this, the concept of the Harvard Analytical Framework has been introduced. The Harvard Analytical Framework, proposed by American scholars Krishna, Victor, and Paul, represents a novel analytical approach that seamlessly integrates financial statements with strategic analysis and prospective analysis, overcoming the shortcomings of analysing financial statements in isolation [4]. It provides a more advanced analytical method for enterprise management, allowing for clearer and more

comprehensive predictions of the company's operational direction and future development from multiple perspectives. Additionally, it offers recommendations for improvement and future prospects for the company [5]. In general, both traditional financial statement analysis and the more comprehensive Harvard Analytical Framework provide methods and perspectives for enterprises to assess their financial and operational conditions, as well as offer objective evaluations and judgements for decision-making within the company.

## **2.2. Procter & Gamble company**

In terms of business operations, Procter & Gamble (P&G), as a global consumer goods company with over 180 years of history, has made strategic adjustments and decisions regarding its product lines. For example, in 2013, the company chose to exit its food additives business under the brand "DuPont" to focus on its core business, aligning its strategic priorities to address competitive pressures [6].

P&G, after careful consideration of various factors, not only engages in vertical integration of key business functions such as raw material procurement and manufacturing but also collaborates with external suppliers and distribution channels to ensure market share and operational efficiency, thereby enhancing competitiveness and efficiency [7]. Furthermore, P&G needs to address challenges in technology research and development, cost management, and risk mitigation while pursuing product innovation to meet market demands and maintain competitiveness [8].

In summary, Procter & Gamble, as a significant player in the global consumer goods industry, possesses a rich history and a strong market position. Faced with evolving market dynamics and competitive pressures, the company continuously seeks optimization and innovation to maintain its leadership position. Through strategic adjustments and collaborative partnerships, P&G vertically integrates critical business functions and works closely with external partners to enhance competitiveness and efficiency. Simultaneously, through ongoing product innovation, P&G strives to meet market demands, but it also encounters challenges in technology research and development, cost management, and risk mitigation.

## **3. Case study**

### **3.1. PEST analysis**

#### **3.1.1 Politics**

With the continuous development and progress of society, the market economy has gradually advanced, leading to an increasingly heightened public awareness regarding environmental conservation and green energy. Against this backdrop, Procter & Gamble (P&G) has entered into collaborative agreements with various governments worldwide, aiming to jointly promote environmental protection and sustainable development [9]. For instance, P&G has partnered with the United States Environmental Protection Agency (EPA) to undertake collaborative projects geared towards reducing water consumption and driving the advancement of circular economy principles. Furthermore, P&G has also engaged in collaboration with the Nigerian government, providing services such as access to clean water sources and educational support within communities. These collaborative initiatives not only address social and environmental issues but also contribute to the achievement of sustainable development goals while enhancing the provision of high-quality products and services to customers. Through government partnerships, P&G is better positioned to fulfill its social responsibilities and propel the sustainable development of the company.

#### **3.1.2 Economy**

As the impact of the COVID-19 pandemic gradually diminishes across countries, the income levels of residents are stabilizing, and Procter & Gamble's (P&G) sales revenue has been steadily increasing over the past three years. However, the volatility in the global currency markets in recent years has affected P&G's financial condition to some extent. Additionally, the pursuit of recyclable and

environmentally friendly products has led to an increase in production costs, which has also impacted the company's profitability. Various economic factors can influence P&G's costs, profits, and market share, necessitating continuous monitoring and adaptation to changes in the economic environment. P&G must develop corresponding business strategies and decisions to ensure its competitiveness and sustainable development in a highly competitive market [10].

### **3.1.3 Society**

In recent years, environmental issues such as environmental protection and sustainable development have become a global focal point. Procter & Gamble (P&G), recognizing the importance of sustainable development, has implemented a series of measures to address these concerns. These measures include efforts to enhance the recyclability and utility of packaging materials, reduce packaging weight, and minimize resource consumption. P&G has also established sustainable supply chains by collaborating with suppliers, resulting in reduced energy and water usage while promoting social responsibility and labor rights among suppliers. These initiatives have contributed to P&G's positive corporate image in terms of sustainable development [11].

Furthermore, P&G actively engages in philanthropic activities in impoverished communities, supporting their development and enhancing the company's social reputation and public acceptance. P&G acknowledges consumer concerns regarding the environment and social responsibility. By improving packaging, promoting sustainable supply chains, and participating in community development, P&G proactively meets consumer expectations and maintains competitiveness in the market.

### **3.1.4 Technology**

Advanced scientific and technological progress stands as an indispensable driving force for every enterprise. Acknowledging this, Procter & Gamble Company (P&G) effectively leverages technologies such as big data analytics, artificial intelligence, and the Internet of Things (IoT) to gain deeper insights into consumer demands. This enables P&G to optimize supply chain management, enhance production efficiency, and precisely position and market its products. Moreover, P&G has taken the lead in embracing open innovation, engaging in collaborative discussions with external entities. This approach not only facilitates the resolution of intricate challenges but also augments the company's overall productivity [12].

P&G actively collaborates with e-commerce platforms and establishes its own online sales channels, allowing the company to directly reach a wider consumer base. This enables P&G to provide personalized product recommendations and shopping experiences, thus better meeting consumer demands. By adopting new technologies, engaging in e-commerce, leveraging artificial intelligence and robotics, and utilizing internet marketing and social media, P&G can adapt to the rapidly changing technological landscape. This enhances its competitiveness and enables better fulfillment of consumer needs.

## **3.2. Five forces analysis**

### **3.2.1 Threat of new entrants**

Procter & Gamble (P&G) boasts a diverse portfolio of brands across various care sectors, such as Pampers, Ariel, and Always. With over a century of development, P&G has established an extensive product line, positioning itself as a global consumer goods giant. Consequently, P&G benefits from lower procurement costs compared to new entrants. Furthermore, its advanced production technology and automation equipment provide a production cost advantage over potential competitors. P&G's strong presence on social network platforms, like Weibo with 200,000 fans, grants it a significant and engaged fan base. The frequent forwarding of promotional activities by these fans expands P&G's reach, attracting more potential customers. Additionally, P&G possesses patents, factories, and supply chains, which present substantial assets that new entrants cannot match. Entrants not only require substantial funding for office space and factory construction but also need to invest significant resources in research and innovation.

### **3.2.2 Bargaining power of suppliers**

As a globally influential company, P&G's extensive brand portfolio results in substantial purchase volumes. This gives P&G an advantage during negotiations, enabling it to secure more favorable prices through large orders. Furthermore, the ability to negotiate with multiple suppliers enhances P&G's bargaining power. Manufacturers with long-standing partnerships also offer competitive conditions to maintain a stable and trusting relationship.

### **3.2.3 Bargaining power of customers**

Given that P&G's customer base primarily consists of supermarkets and online shopping websites, customer concentration is relatively low. Consequently, the bargaining power of customers is diminished. Moreover, certain P&G products possess unique designs, such as Always, which attracts women of different ages, differentiating itself from competing products. As a result, customers' bargaining power is reduced for these distinctive offerings.

### **3.2.4 Threat of substitutes**

P&G's comprehensive product range addresses various price points, enjoying a favorable reputation and cost-performance ratio in the market. Consequently, customers seldom seek substitutes for P&G's products.

### **3.2.5 Industry rivalry**

While Unilever stands as P&G's primary competitor within the market, P&G employs a multi-brand strategy to cater to diverse customer needs. Additionally, P&G emphasizes innovation and environmental research, continually enhancing its existing product offerings.

## **3.3. SWOT analysis**

### **3.3.1 Strength**

#### **3.3.1.1 High market share**

One of Procter & Gamble's key strategic advantages is its high market share. A substantial market share indicates that the company has successfully captured a significant portion of its target market, granting it a competitive edge over rivals. High market share allows for economies of scale as the company can spread fixed costs across a larger customer base, resulting in cost advantages. Additionally, greater market share often translates to higher brand awareness and customer loyalty, further solidifying Procter & Gamble's position in the market [13].

#### **3.3.1.2 Strong reputation**

A favorable reputation is a valuable strategic advantage for Procter & Gamble. The company consistently delivers high-quality services, reliability, and customer satisfaction, which has led to the establishment of a strong reputation. Procter & Gamble's positive reputation instills trust and credibility among existing and potential customers, increasing customer retention and acquisition rates. Moreover, a positive reputation generates positive word-of-mouth recommendations, attracting new customers to the company.

#### **3.3.1.3 Cutting-edge technology**

Leveraging cutting-edge technology in the consumer goods industry can provide strategic advantages. Innovative technologies, such as advanced extraction equipment, automation, and data-driven solutions, not only enhance service quality and reduce response time but also optimize resource allocation. The company's focus on research and development of new products helps it keep pace with emerging technologies and effectively utilize them, contributing to maintaining a competitive edge.

#### **3.3.1.4 Abundant talent**

Procter & Gamble possesses a wealth of talented individuals. Its exceptional workforce brings in diverse expertise, skillsets, and creativity, enabling the company to provide outstanding products and services. Highly skilled employees can effectively analyze current strengths and weaknesses and offer valuable insights, thereby increasing the success rate of experiments and production efficiency.

### **3.3.1.5 Unique marketing strategies**

Procter & Gamble stands out from competitors through unique marketing strategies. The company employs creative and distinctive marketing techniques to capture the public's attention and differentiate itself in a crowded market. For instance, Head & Shoulders aired an advertisement showcasing a fencer's fluent movements while displaying the smoothness of the athlete's hair, cleverly implying the product's effectiveness and generating interest among a wide audience. Such unique promotional efforts contribute to differentiation, not only attracting new customers but also strengthening the company's reputation and market positioning.

### **3.3.2 Weakness**

#### **3.3.2.1 Insufficient marketing efforts**

One of Procter & Gamble's weaknesses lies in the possibility of being overshadowed by newer companies that exhibit more proactive product promotion and marketing efforts. In the current competitive consumer goods market, many new companies focus on marketing and product promotion, successfully capturing the attention of numerous consumers, particularly the younger demographic. If Procter & Gamble's marketing intensity and discount strategies fail to rival those of these new companies, it may risk losing some market share and struggle to retain its existing customer base.

#### **3.3.2.2 Inadequate after-sales service**

Another weakness of Procter & Gamble pertains to its after-sales service. Providing excellent after-sales customer service is crucial for customer satisfaction and loyalty. The company lacks in certain aspects of online post-sales support, including issues like delayed responses and unprofessional problem resolution, which may lead to negative word-of-mouth and potentially tarnish the company's reputation. For Procter & Gamble, improving after-sales service is vital in maintaining customer trust and retaining a loyal customer base [14].

#### **3.3.2.3 Lack of management flexibility**

One of the weaknesses of Procter & Gamble (P&G) lies in its lack of managerial flexibility. In today's rapidly changing market, adaptability and agility are crucial for enterprises to respond to new opportunities and challenges effectively. Due to its long establishment, P&G's management structure may exhibit rigidity, which could impede its ability to be as agile as newer companies. Moreover, the extensive scope of its business operations and slower decision-making processes might hinder the company's ability to seize emerging trends, adopt new technologies, or cater to evolving consumer demands. This inflexibility has been identified as a potential limitation to the company's growth prospects and competitive advantage. To address this issue, P&G initiated innovative changes to its work systems in 2016. However, it is important to note that this transformation resembles a high-risk, long-term wager [15].

### **3.3.3 Opportunity**

As a mature multinational consumer goods company, Procter & Gamble (P&G) possesses several opportunities to leverage its strengths and expand its market share.

#### **3.3.3.1 Essential necessities**

A significant opportunity for P&G lies in its product portfolio, which primarily comprises essential necessities. Products such as personal care items, household cleaners, and basic healthcare products are considered daily essentials, and their demand remains relatively stable even during economic downturns, such as the COVID-19 pandemic. Due to the sustained demand for these products, P&G can maintain a stable revenue stream and capitalize on its brand recognition to target a wide customer base.

#### **3.3.3.2 High demand**

The high demand for consumer goods, especially in emerging markets, presents advantageous opportunities for P&G. As the global population continues to grow, the demand for essential necessities and home products also experiences continual growth. Expanding market share in regions

witnessing increased disposable incomes and the rise of the middle class could result in substantial sales growth for the company [16].

### **3.3.3.3 Tax incentives**

Various countries have reached agreements with P&G and provided favorable conditions, including tax incentives. For instance, in China, a key consumer goods market for the company, the local government offers certain tax benefits, offering unique opportunities. China implements tax policies that encourage foreign investment and stimulate domestic consumption [17]. P&G can leverage these tax incentives to reduce operational costs and enhance profitability in the Chinese market. Furthermore, China's continuously growing middle-class population serves as a significant consumer base for P&G's products.

### **3.3.4 Threat**

As a prominent player in the consumer goods industry, Procter & Gamble faces various threats that could impact its market position and competitiveness.

#### **3.3.4.1 Increasing number of new businesses**

One significant threat to Procter & Gamble is the rising number of new businesses entering the market in the past two years. These startups and smaller companies may be more agile, innovative, and able to quickly respond to emerging market trends. As a result, they can disrupt the market and capture niche segments, challenging Procter & Gamble's market share and revenue growth.

#### **3.3.4.2 Expansion of competitors**

The consumer goods industry is highly competitive, and established competitors, as well as emerging ones, continue to expand their market presence. As competitors invest in research and development, marketing, and distribution channels, they may pose a threat to Procter & Gamble's market share. Increased competition can lead to price wars, reduced profit margins, and the risk of losing customers to rival brands.

To address these threats, Procter & Gamble needs to take strategic actions:

#### **3.3.4.3 Innovation and agility**

Procter & Gamble should focus on fostering a culture of innovation and agility within the organization. By continuously investing in research and development, the company can stay ahead of market trends and introduce new products or product improvements to meet changing consumer preferences.

#### **3.3.4.4 Market diversification**

Expanding into new markets or niche segments can help Procter & Gamble reduce its dependency on any single market. Diversification can create a more robust business model that is less vulnerable to the impact of new entrants or aggressive competitors.

#### **3.3.4.5 Brand strength and differentiation**

Procter & Gamble must strengthen its brand image and emphasize its unique value propositions to differentiate itself from new businesses and competitors. Effective marketing campaigns and product positioning can reinforce the company's reputation and maintain customer loyalty.

#### **3.3.4.6 Strategic partnerships and acquisitions**

Consider entering into strategic partnerships or acquiring smaller innovative companies that can complement Procter & Gamble's existing product offerings. This can help the company access new technologies, markets, or customer segments, while also reducing the threat posed by emerging competitors.

## **4. Conclusion**

In conclusion, the analysis of Procter & Gamble (P&G) using the PEST and Five Forces frameworks reveals several key findings. P&G's collaboration with governments worldwide highlights its commitment to environmental protection and sustainable development, bolstering its social responsibility and corporate image. Despite the impact of the COVID-19 pandemic, P&G has maintained stable sales revenue, albeit affected by currency volatility and increased production costs.

The company's initiatives to enhance packaging recyclability, establish sustainable supply chains, and engage in philanthropic activities have solidified its positive corporate image in terms of sustainable development. Furthermore, P&G's effective utilization of advanced technologies such as big data analytics, artificial intelligence, and the Internet of Things has enabled it to optimize supply chain management, improve production efficiency, and better meet consumer needs. Recommendations for P&G include continuous monitoring of economic factors, investment in research and innovation, further strengthening of sustainable development efforts, and leveraging emerging technologies and digital platforms to reach a broader consumer base. Concurrently, conducting a SWOT analysis reveals areas where the Procter & Gamble Company must formulate pertinent strategies to address its weaknesses. Firstly, there is a need to concentrate on bolstering product promotion and marketing endeavors to ensure sustained visibility and competitiveness in the market. Secondly, prioritizing enhancements in after-sales service is essential, entailing investments in customer support infrastructure and prompt issue resolution mechanisms. Moreover, fostering a more flexible and agile management culture emerges as a vital imperative, enabling the organization to respond promptly to dynamic market fluctuations, proactively innovate, and sustain a robust market position. Consistent evaluation of these weaknesses and implementation of targeted improvement plans will be pivotal for Procter & Gamble's enduring success within the fiercely competitive consumer goods industry. These strategies will position P&G for continued success in an ever-evolving business landscape.

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