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Successful Market-Driven Organisations. The Procter & Gamble Case

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Abstract

An organisation looking for cost as a key competitive advantage becomes more focused on the bottom line than on the consumer. This might have an impact after a few years on the culture, the firm capabilities of market sensing and the firm configuration. It will be interesting to follow P&G's future evolution in the three key areas identified by George Day (an externally oriented culture; the distinctive capabilities in market sensing; the firm configuration, based on brand management system).

Keywords: Market-Driven Organisations; Competitive Advantage; Brand Management System; Corporate Culture; Market-Driven Management; The Procter&Gamble Case

Professor George Day has identified, based on a decade's worth of research, that successful market-driven organisations combine three key elements in the areas of culture, firm capabilities and firm configuration. A series of business examples in the Services and Industrial sectors illustrate these findings.

I propose to evaluate how they apply to a key actor in the fast moving consumer goods sector - Procter&Gamble - by giving some insights into its market-driven capabilities. In doing so I will question whether the current trend of P&G towards a strong globalisation of its strategies – mainly supply-driven – could have a negative impact on its market-driven capabilities.

The first element identified by Day is an externally oriented culture.

At P&G, the mission statement clearly indicates that delivering products that satisfy consumer needs in a superior way is a key credo. All departments try to contribute to this mission. The culture at P&G is also influenced by the Brand Manager system, created by P&G in 1936 and used now throughout the consumer goods company.

It focuses attention on brands so that brand team responsibility is to understand consumers better than anybody else.

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P&G also has a culture of competitiveness. It wants to satisfy the consumer in a superior way that implies – de facto – the desire to beat competition and achieve leading positions in the market. This addresses the question asked by Day as to whether a firm can be both customer and competitor oriented. Market-driven firms such as P&G are often intensely competitive.

The second element is the distinctive capabilities in market sensing. Day considers that successful companies are better educated about their market than their rivals. By 'market' we mean consumers, competitors and distributors. To acquire knowledge about consumers and competitors, brand people at P&G conduct monthly analysis of Nielsen data, regularly check stores to 'feel the market' and to pick up any changes in consumer attitudes or the competitive context, organise qualitative consumer testing, and run monthly evaluations of new product launches. To better answer the needs of distributors, P&G a few years ago adapted the sales function by moving from geographic focus to a key account focus.

A sales team is now fully dedicated to a key account (distributor) in order to better understand the needs of this 'intermediate' customer.

P&G's activities in Category management, ECR, and EDI underline its interest in better fulfilling the needs of the distributors.

The third element is firm configuration. The brand management system, as already mentioned, gives a natural focus to the market. A couple of years ago, however, P&G felt that this system was no longer always ideal for an increasingly complex global market. The company has therefore reinforced the organisation by creating multi-disciplinary teams for key projects like new brand launches or relaunches. The marketing person in most cases remains the leader but key individuals from other important functions – R&D, Manufacturing, Logistics, Finance and Sales – are involved at the beginning of a project to provide initial input. The result has been a reduction in unnecessary re-work and greater responsiveness.

Day also highlights the importance of a shared knowledge base and the ability to make fact-based decisions. At P&G a brand person can only convince with facts. At every stage of a project like a brand launch specific objectives are set and research is required to prove whether these objectives are being met and whether to proceed.

Technical tests, blind tests, various concept tests, concept and use tests and advertising are just some of the more important and regular initiatives. The ensuing knowledge is then spread through the organisation via formalised written reporting – an exercise considered burdensome by some but essential for disseminating relevant information. Managers, after all, often complain that knowledge doesn't circulate fast enough or get to the right people.

A key question at P&G, however, is whether its strong globalisation drive is hampering its market driven capabilities.

Standardisation of brands is now the name of the game and the company's strategic objective is to get economies of scale in all areas of the business – R&D, manufacturing, marketing.

One product, one brand name and one brand positioning worldwide is the desired scenario.

Standardising brands – a process driven by supply considerations – requires looking for the smallest common denominator between consumers in different countries to satisfy the largest number of people. Is there not a risk, though, of not being able to answer perfectly to the needs of the consumers? Another danger is that the centralised global category teams created by P&G in the 1990s to manage their 11 product categories worldwide may be too far from local markets and local consumer tastes.

An organisation looking for cost as a key competitive advantage becomes more focused on the bottom line than on the consumer. This might have an impact after a few years on the culture, the firm capabilities of market sensing and the firm configuration. It will be interesting to follow P&G's future evolution in the three key areas identified by Day.