

- What external factors explain the change in strategy by P&G between the 1960s and 2000s?

Starting in the 1960's, barriers to global trade began to lift and the world trade economy grew. P&G built a global corporate operation when these barriers were strong, and the most economically viable option was to build several production and distribution centers in different countries so the company did not have to accumulate costs from tariffs. In the 1960s to 2000s, however, barriers to trade between countries fell rapidly and tariffs were no longer widespread to make exports costly. When tariffs and other barriers to cross-border trade are minimal, it is more costly to establish local production and distribution centers in several countries than centralized production and exports. P&G used to be one of the only corporations that spanned internationally, but due to widespread globalization, they gained more competition from other corporations that grew into large, international entities. Retailers also became more global during this time and expected price discounts from P&G (Hill 2022). These retailer expectations and the removal of tariffs are both factors that contributed to the change in strategy. P&G's first strategy change aimed to overcome these global economic changes by achieving economies of scale. In its second reorganization during 2005, the division into self-contained units based on product allowed specialization at each facility that likely increased efficiency and brought P&G closer to the efficiency horizon. This strategic change was driven by the increased competition and lack of need to tailor products to the tastes and cultures of different locations. The world is more interconnected, aware, and tolerant of other cultures, so common labeling and marketing of a product does not significantly hurt market share. P&G has responded to these external factors of our globalized world by improving production efficiency and minimizing costs through centralized facilities to provide competitive, low-price products that appeal to the consumers of today.

- Given the current political and economic situation of the world, what strategy would you advise P&G to follow in the next decade and why?

In the next decade, we can expect that the world will become increasingly interconnected and e-commerce more normalized. Greater e-commerce will continue to erode barriers to international business as products reach the attention of consumers from all across the world. Consumers will have a wider selection available to them, increasing competition between corporations that P&G must adapt to. P&G will experience more pressure to reduce prices as they face this wider range of competition. Consumers still expect quality, however, and have the freedom to choose the best quality without significant location barriers. To adapt to these changes in the near future, I would advise that P&G evaluate their value creation model. Through market research, P&G can determine the price consumers expect to pay for similar products. P&G can evaluate this expectation in comparison to the price they charge and the cost to create each unit. To maximize profits without sacrificing business, P&G should set their prices

as close to consumer expectation as possible without exceeding it. Consumers will be more aware of the price options available to them across all competitors, so exceeding consumer expectations may severely hurt market share. P&G can also adopt different marketing strategies that focus on modern concerns such as convenience and quality to improve the value consumers place on their products. This would allow them to charge higher prices and increase the profit margin. In an online world that is becoming more demanding of our attention, marketing must be concise, creative and eye-catching. On the production side, P&G should work to be as close to the efficiency horizon as possible. The strategy they should ultimately use moving forward is a global standardization strategy. Local responsiveness will be less demanded, so P&G should grow their operation at the existing centralized production units rather than build additional units. Their focus should also shift to creating value and generating a higher profit margin to prepare for increased international competition as more corporations with similar products spread out internationally.

## Works Cited

Hill, C. (2022). Evolution of Strategy at Procter & Gamble. In *Global Business Today* (Global, pp. 357–357). essay, McGraw Hill LLC.