Innovation and technology drive P&G’s multi-billion dollar business

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Procter & Gamble (P&G) has over 20 billion-dollar brands with each generating over US$1 billion sales annually. These brands are Actonel (osteoporosis pill), Always (sanitary pad), Ariel (detergent), Bounty (paper towels), Braun (shaver), Charmin (toilet paper), Crest (toothpaste), Dawn (dishwashing liquid), Downy (fabric softener), Duracell (battery), Gain (detergent), Gillette Fusion (five-blade razor system), Gillette Mach 3 (three-blade razor), Head & Shoulders (shampoo), IAMS (dog and cat food), Koleston (Wella hair product), Olay (skin care), Oral B (toothpaste), Pampers (diapers), Pantene (shampoo), Pringles (potato snack), and Tide (laundry detergent).

The success of P&G is due to its heritage, innovation, and technological achievement. P&G started in 1837 in Cincinnati, USA, when brothers-in-law William Procter from England and James Gamble from Ireland formed the company at the suggestion of their father-in-law. Procter, a candle maker, and Gamble, a soap maker, formed the company during an economic slump to compete against 14 soap and candle makers. The two owners invested US$3, 596.47 each in the company. The business has since grown to annual sales of US$79 billion from products sold in over 180 countries.

P&G became successful because of the forward-looking approach of the two owners. They built a new plant in the 1850s despite civil unrest in the U. S., supplied soap and...
candles to the Union armies during the Civil War in 1862, built a new factory that was technologically advanced and environmentally friendly for its employees in 1886, and pioneered profit sharing programs in 1887 to give employees ownership in the company.

Although P&G discontinued candle manufacturing in the 1920s when the electric light bulb was invented, the company had innovated in many product categories. According to the website ‘Innovation is P & G’s Life Blood’, the number of ‘firsts’ include Ivory in 1879 (first inexpensive white soap equal to high-quality imported alternatives), Crisco in 1911 (first all-vegetable healthier shortening), Dreft in 1933 (first synthetic household detergent), Drene in 1934 (first detergent shampoo), Tide in 1946 (first heavy-duty laundry detergent), Crest in 1955 (first toothpaste to prevent tooth decay), and Comet in 1956 (first scouring cleanser with bleach).

by 50%), Tide with bleach in 1988 (first North American detergent with activated bleach), and Pantene Pro-V in 1992 (first pro-vitamin penetrating shampoo).

In 1995, P&G became the first fast moving consumer goods company to receive the U. S. National Medal of Technology and Innovation, the highest honour for technological achievement among America’s leading innovators. The citation read: ‘For creating, developing and applying advanced technologies to consumer products which have strengthened the American economy while helping to improve the quality of life for millions of consumers worldwide’.

Not resting on its laurels, P & G continued the innovation tradition. It launched Febreze in 1996 (first fabric refresher), Swiffer in 1998 (first disposable duster with electrostatic cloth), Actonel in 2000 (first faster-acting treatment for osteoporosis), Crest Whitestrips in 2002 (first in-home teeth whitening system), Naturella in 2002 (first use of chamomile in feminine pads), IAMS in 2002 (first pet food formula using natural minerals to block tartar buildup), Pur Purifier of water packets in 2003 (first and only in the world), Olay Regenerist in 2003 (new technology anti-aging moisturizer), Pampers Baby Stages of Development in 2004 (first diaper customized for baby’s stages of growth and development), Tide Coldwater in 2005 (superior cleaning laundry detergent that saves energy), Gillette Fusion in 2005 (first razor with six blades), Crest Pro-Health toothpaste in 2006 (first toothpaste to protect routinely checked dental areas and freshen breath), Braun Pulsonic in 2007 (first self-cleaning electric razor), Always Infinity in 2008 (new
material innovation that absorbs ten times its weight), Tide Total Care in 2008 (innovative combination of beauty care products that keeps clothes fresh-looking after 50 washes), Clairol Perfect 10 in 2008 (first permanent 10-minute hair color technology that speeds and softens the process), and Ariel Excel Gel in 2009 (concentrated cold-water formula).

P&G was also a leader in marketing and communicating its brands. It advertised Ivory Soap nationally in 1882; invested in a product research laboratory in 1890; advertised the Ivory Lady in colour in Cosmopolitan Magazine in 1896; created in 1915 the first coordinated charitable community campaign that later became known as the United Way; sold directly to retailers in 1919 when wholesalers had caused uneven production and worker layoffs; sponsored cooking shows on network radio in 1923; conducted database market research with consumers in 1924; introduced in 1931 a brand management system with specialised marketing strategies for each brand; used radio soap operas for its brand advertising in 1932; advertised Ivory Soap during the first televised baseball game in 1939; formalised consumer connections with a Consumer Relations Department in 1941; started in 1952 the P & G global fund to improve the lives of children; and secured ‘unprecedented endorsement by the American Dental Association’ for its Crest fluoride toothpaste in 1960.

In order to continue innovating, P & G mandates that 50% of product innovation should be through collaboration with industry partners and consumers under its new ‘Connect and Develop’ model. In 2003, the company signed a 10-year US$400 million deal for
IBM to provide human resource services such as benefits administration, compensation planning, data management, payroll processing, and relocation services – thus freeing up time for P & G to focus on product innovation. From 2007, P & G began the process of setting up Cisco video collaboration studios in selected customer and partner sites, thus saving on travel cost and time plus increasing decision making to accelerate the innovation process.

Connecting with consumers in its environment has been a key P & G goal over the years. P & G has used social networking sites to create online forums on issues such as breast cancer and careers, with the objective of understanding the wants and needs of women. The 2010 goal is to increase its four billion customers on Facebook to five billion (Pringles has nearly three million global fans) with each P & G brand having a ‘meaningful presence’ on the popular social media site. P & G has set up a Silicon Valley office to help develop social networking systems.

Keeping itself ahead of the competition, P & G announced in January 2010 that it would launch an online store as a ‘learning lab’ to understand more about buying habits of customers who buy key brands. Although P & G has been selling products online through retailers such as Wal-Mart, the ‘learning lab’ would facilitate sharing of consumer knowledge with retailers.

While P & G is a consumer packaged goods company, it has been described as an
innovative technology-driven company. Such a corporate mission would obviously help P & G to grow more billion-dollar brands. Among those 20 half-billion dollar brands lining up to join the billion-dollar rank are Dolce & Gabbana, SK-II, Swiffer Dusters, Tampax Pearl, and Venus Divine.

Questions (answers contained on last page of document.)

1. What are some of the familiar brand names among Procter & Gamble’s billion dollar brands?
2. How did Procter & Gamble start and grow its business in the earlier years?
3. What have been some of the technological innovations of Procter & Gamble?
4. How has Procter & Gamble innovated in marketing and advertising?
5. What is the new innovation model of Procter & Gamble?
Sources


Neff, J. (2010, 26 January). "Facebook finally lands 'The world's biggest marketer'."


Questions and answers

1. **What are some of the familiar brand names among Procter & Gamble’s billion dollar brands?**

   Among the billion-dollar brands in the Procter & Gamble portfolio are Always, Ariel, Bounty, Braun, Charmin, Crest, Downy, Duracell, Gain, Gillette Mach 3, Head & Shoulders, Olay, Oral B, Pampers, Pantene, Pringles, and Tide.

2. **How did Procter & Gamble start and grow its business in the earlier years?**

   Brothers-in-law William Procter and James Gamble started the company during an economic slump to compete against 14 soap and candle makers. The partners’ forward-looking approach led to investment in a new plant despite civil unrest, supplying soap and candle to Union armies, building a new technologically advanced and environmentally friendly factory for its employees, and pioneering employee profit sharing.

3. **What have been some of the technological innovations of Procter & Gamble?**

   Procter & Gamble had many ‘firsts’ throughout its history, such as the first all-vegetable healthier shortening, first stackable potato snack, first contour-shaped diaper, first pro-vitamin penetrating shampoo, first in-home teeth whitening system, first self-cleaning electric razor, and the first use of chamomile in feminine pads.
4. **How has Procter & Gamble innovated in marketing and advertising?**

Procter advertised nationally and in colour even in the 1980s, sold directly to retailers, set up a strategic brand management system, used radio creatively through soap operas for brand advertising, was involved in corporate social responsibility activities such as the United Way and funds to improve the lives of children, and had dental association endorsement for Crest.

5. **What is the new innovation model of Procter & Gamble?**

Procter & Gamble’s new innovation model is ‘Connect and Develop’, where 50% of product innovation and development should come through collaboration with industry partners and consumers. Cisco video conferencing studios, for example, help exchange of ideas and accelerate the innovation process.