

# Analysis of P&G's Financial Strategy and Operational Strategy

Chenfei Liu\*

Business and Management, University of Sunderland, Sunderland, UK

\*Corresponding author: bi26wj@student.sunderland.ac.uk

**Abstract.** As COVID-19 becomes normalized worldwide, the consumer market is on the move, the real economy is in a state of flux, and the industry leaders, the big multinationals, are always on the lookout for opportunities to take advantage of them. This paper uses P & G's financial reports for 2022 as a sample to analyze the moves made by such multinationals at the doorstep of this new era and their preparations for the opportunities that lie ahead. The survey results show that P & G is on a steady financial and operational growth path in 2022, and the market size is also on an expansion trend. Likewise, as COVID-19 becomes normalized worldwide, online business is gradually being recognized by the general public as a mainstream way of spending money. The results of this analysis reflect the changes in consumption of daily necessities in different regions in 2022, and how P & G can stand out in an era where online business is so busy. This paper aims to examine where the world economy is heading in the post-epidemic era and how industry pioneers will react.

**Keywords:** P&G; COVID-19; financial strategy; online business.

## 1. Introduction

Three years have passed since the start of COVID-19 and in these three years, the world is changing at a faster and more complex pace than ever before due to the epidemic and the development of information technology. During the period when the world was affected by COVID, many multinational companies developed their online presence on a large scale worldwide. At the same time, the OECD [1] points out that the COVID-19 crisis will have a long-term impact on e-commerce, which has proven to be in a sense a catalyst for the rapid development of online businesses worldwide, with the consequent birth of new concepts such as Metaverse, NFT and new business or consumer models. At the end of 2022, the world officially entered the post-Covid era as China lifted its strictest Covid policy, which included centralized segregation of entry [2]. The next few years will see a massive renaissance in the real economy, led by Greater China [3], but this bottoming out will be short-term and strong. This will have a huge impact on the global consumer market and may upset the current balance between the real economy and the financial economy. In early 2023, corporate giants are expected to change their financial and operational strategies in order to face the upcoming market changes.

P & G is currently one of the world's largest manufacturers of everyday products, and its health and personal care products are closely related to COVID-19. Therefore, P & G was chosen as the main target for this paper. This paper draws on P & G's annual financial statements for the year ending 2022 and collects a number of data from these financial statements to analyze P & G's financial and operational strategies over the past year and to provide an outlook for P & G's business in the coming year based on these data. The paper also draws on a number of papers on the impact of COVID-19 on the world economy to analyze how the global consumer market will change and the challenges that P & G will face. In terms of research methodology, in chapter 4.2, this paper uses the SWOT model of business analysis, which helps to assess a company's position in a competitive market and what steps need to be taken for further strategic planning, helping decision makers to map out a roadmap for the company's future [4]. This paper examines the use of SWOT analysis in the context of P & G's expansion of its online business and how the company has been able to capitalize on its strengths while complementing its weaknesses and weathering the crisis. The report shows that P & G's sales in Greater China have been declining over the past few years [5]. The purpose of this article is to examine P & G's financial and operational strategies worldwide in 2022, as well as to examine and speculate on how P & G will respond to future changes in the consumer market and how it will

continue to develop and enhance its online business in order to stay ahead of the fierce competition in the post-COVID era.

## 2. Basic Descriptions of P&G

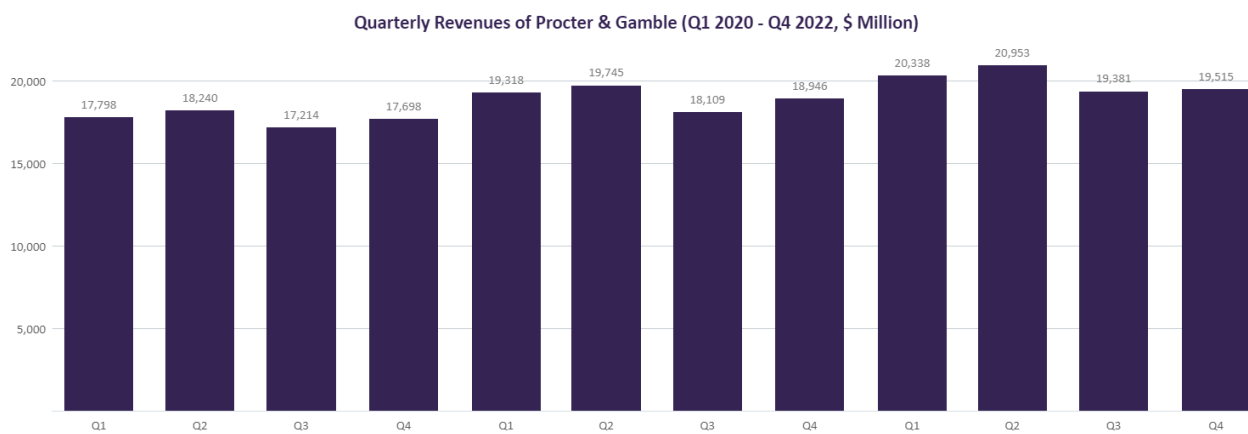
Procter & Gamble Co., or P&G, was founded in 1837 as a result of a marriage between the families of a candle merchant and a soap merchant, and the company supplied candles and soap to the army during the American Civil War, with numerous military contracts bringing P&G into the public eye. With the acquisition of the Thomas Hedley Co. in 1930, P&G became an international company [6]. Today P&G, headquartered in Ohio, USA, is a multinational consumer household products company whose main products are detergents, personal care products, and pet food, and is now one of the world's largest manufacturers of household products, with many familiar sub-brands such as Tide laundry detergent, Crest toothpaste, Pampers nappies, and Gillette razors. In 2007, Fortune magazine named it the tenth most admired company in the Fortune 500 [7].

The company is listed on the New York Stock Exchange (NYSE) and has 2,369,696,862 common shares outstanding [8]. In 2022, P&G's total global market share increased by 50 basis points, with 38 of the top 50 category/country/region combinations maintaining or growing their share during the year. Importantly, this share growth is broad-based. In particular, the US, the largest and most profitable market, delivered a strong performance with organic sales growth of 8%. E-commerce sales grew by 11% and accounted for 14% of the company's total sales [9].

In summary, the company's market share is large and its global visibility is likewise high. Therefore, this analysis will approach both the financial and operational strategies of P&G, taking a sample of the company in different regions of the world as a case study. In terms of financial strategy, the paper will focus on extracts from P&G's 2022 Annual Report to analyze and integrate them and make recommendations for development. In terms of operational strategy, the paper will look at how P&G has become a successful multinational company through its history in this century, what CSR efforts it has made, and how these have benefited society. In the same way, in this digital age, this article will also examine how P&G has developed its web presence and publicity in recent years, as well as make operational predictions about how P&G will develop its online presence and digital platform in the future.

## 3. Balance sheet

In this section, Procter & Gamble's financial position is analyzed and interpreted and its financial strategy is examined in depth with respect to its revenue in the fourth quarter of 2022 compared to other quarters of the same year and to the same period in previous years. The following data is shown in Fig. 1, P&G reported Q4 2022 sales growth of 3.0% year-over-year (+7% organic growth). P&G reported net sales of \$19.5 billion. Management has guided for reported sales growth of 0-2% and organic sales growth of 5-7% for fiscal 2023.



**Figure 1.** Quarterly Revenues of Procter & Gamble (Q1 2020 - Q4 2022, \$ Million) [10]

On July 29, 2022, P&G reported fourth quarter revenue of \$19.5 billion (+3.0% year-over-year, +7% organic growth) and core earnings per share (EPS) of \$1.21. For fiscal 2022, total sales were \$80.2 billion and core EPS was \$5.81.

	Q4 2022	Q4 2021
Total Revenues	\$19,515M	\$18,946M
Operating Income	\$3,598M	\$3,540M
Operating Margin	18%	18.7%
GAAP Diluted Earnings per Share (EPS)	\$1.21	\$1.13
Core Earnings per Share (EPS)	\$1.21	\$1.13

**Figure 2.** Q4 2022 vs Q4 2021 Statement of Operations [10]

In summary, P&G's net sales increased 3.0% (+7% organic growth) in the fourth quarter of 2022 compared to the same period in 2021. P&G reported sales in five segments: beauty, grooming, health, fabrics and home care, and baby, feminine and home care.

Total Revenues by Segment	Q4 2022	Q4 2021
Beauty	\$3,461M	\$3,510M
Grooming	\$1,608M	\$1,666M
Health Care	\$2,510M	\$2,383M
Fabric & Home Care	\$6,876M	\$6,597M
Baby, Feminine & Family Care	\$4,821M	\$4,665M

**Figure 3.** Total Revenues by Segment [10]

Sales in the Grooming segment decreased 1.4% compared to 2021 due to low-single-digit organic sales growth in hair care (organic sales growth unchanged), partially offset by lower sales in Russia due to the pandemic-related blockade and lower operations in Greater China [9].

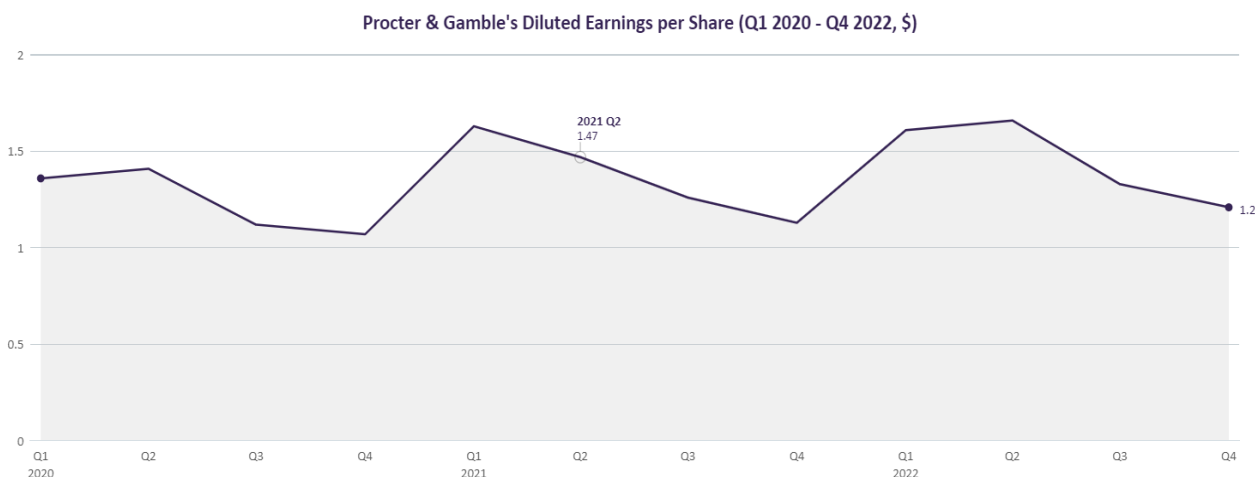
Sales in the Beauty segment decreased 3.5% compared to 2021 due to higher organic sales in Shaving Care (organic sales increased 3%), partially offset by lower volumes in Greater China due to a pandemic-related blockade and lower organic sales in Appliances [9].

Sales in the Healthcare segment increased 5.3% compared to 2021 (organic sales up 9%) due to higher organic sales in Oral Care and Personal Care, partially offset by a pandemic-related embargo in Greater China and lower Russian business [9].

Sales in the Fabric and Home Care segment increased 4.2% compared to 2021 (organic sales up 9%). This was attributable to higher net pricing and increased organic sales of home care products, offset by a decrease in the Russian business [9].

Sales in the Beauty segment increased by 3.3% compared to 2021 (+7% organic sales growth). This was attributable to higher net pricing for baby care and feminine care products and higher organic sales, offset by lower business in Russia and competitive activity in developed markets [9].

The company reported operating earnings of \$3.6 billion for the fourth quarter of 2022, resulting in a GAAP operating margin of 18.4%. Most importantly, the company reported GAAP earnings per share of \$1.21 and core earnings of \$1.21 per share.



**Figure 4.** Procter & Gamble's Diluted Earnings Per Share [10]

From the above graphs (Fig. 1-4), it is clear that P&G's sales are growing steadily in 2022 compared to previous periods. However, in certain countries and regions, sales will inevitably decline due to policy, COVID-19 or political factors. In China, sales of the premium brand SK-II declined due to the impact of the epidemic throughout 2022 and the months-long embargo in large consumer markets cities such as Shanghai and Beijing, and organic sales of skin and personal care products fell by single digits [11].

The situation has now improved, with the Chinese government announcing the lifting of the entry quarantine on 26 December 2022, the same day that it classified COVID-19 as a category B infectious disease, meaning that the epidemic will be considered a regular occurrence in China. With the COVID-19 virus under control, the accumulation of pent-up consumer demand and substantial savings could lead to a strong recovery in consumption [12]. This implies a short and strong wave of consumption in mainland China in the coming quarter, which coincides with the Chinese New Year, and P&G should capitalize on this spending boom to make a strong comeback in the Chinese market.

Globally, P&G should focus on beauty, grooming, wellness, fabrics and home care, and baby, feminine, and home care in the coming year, continuing the steady increase in sales of previous years.

#### 4. Marketing

In this paragraph, P&G's marketing strategy will be analysed with reference to P&G's sales by product type and by country region in 2022, and the SWOT analysis will be used to analyse P&G's projects to develop the digital economy.

4.1 operational strategy

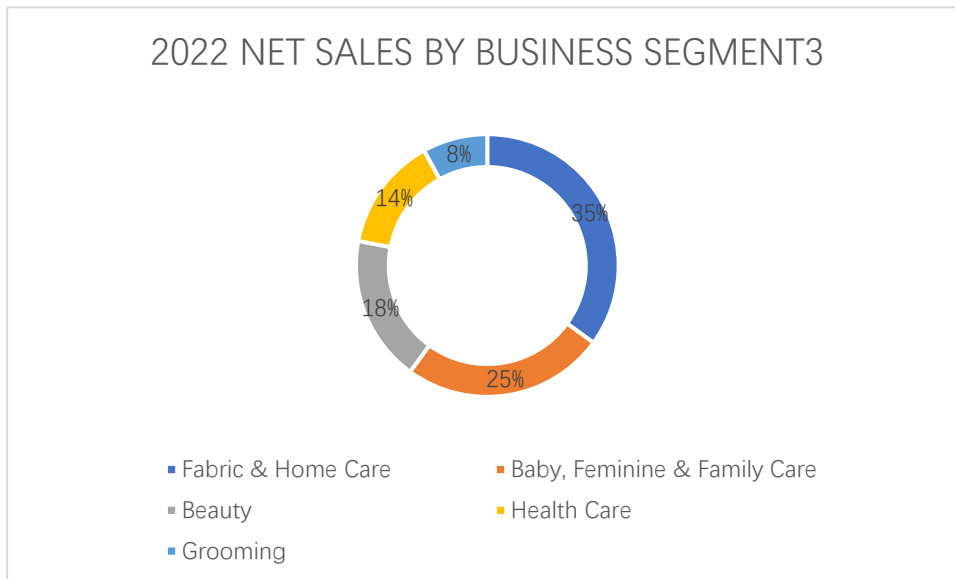


Figure 5. 2022 Net Sales by Business Segment [5]

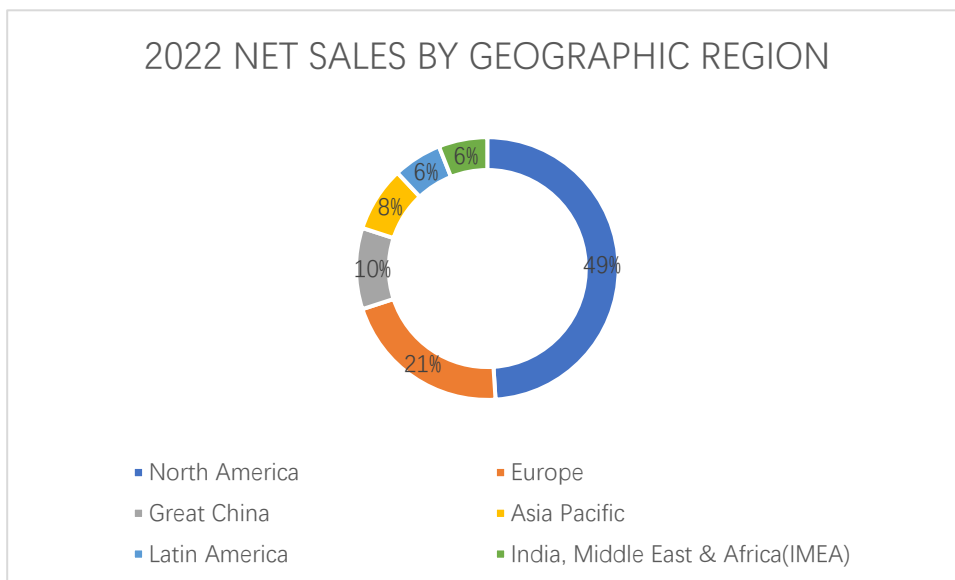


Figure 6. 2022 Net Sales by Geographic Region [5]

According to Fig. 5, P&G's sales in the Fabric & Home Care and Baby, Feminine & Family Care product categories accounted for 60% of total sales in 2022, while sales in Grooming were the lowest at 8%. Since COVID-19, spending on Grooming has been on the rise in many consumer markets. Since the explosion of COVID-19, many women who have purchased and used beauty and personal care products have transformed their daily lives and made them feel more confident. Since COVID-19, 38% of women aged 16-24 have changed their daily lives to improve their mental health and 75% of women say their beauty/grooming routine has made them feel more confident [13]. Therefore, P&G's share of Grooming sales in the context of such a consumer market is anomalous.

The same anomaly is also found in Fig. 6, where the market demand across Asia Pacific and Greater China is huge, yet in 2022, P&G's total sales in Asia Pacific and Greater China only accounted for 18% of global net sales. The reason for this, as mentioned in the previous section, is the impact of the epidemic in the Greater China region, which has resulted in the closure of several cities in the Chinese consumer market and the forced suspension of shopping malls and offline shops. Similarly,

the impact of the epidemic in China, a major consumer market for the cosmetics industry, also led to a reduction in net sales of P&G's Grooming category.

As such, P&G should be inspired to not only capitalize on the consumer boom in the next quarter when the Greater China region is a recovering economy, as mentioned above. As Melton pointed out in 2020, COVID-19 accelerates e-commerce growth in the coming years and P&G should also pursue a strong digital ecosystem strategy globally.

## **4.2 SWOT analysis of P&G's online business**

### **4.2.1 Strength**

1) Online business development has spread across the globe and with the advent of COVID-19, more and more people are becoming more inclined to shop online [14]. This makes the target group of customers for the program broad and the technology is well developed and mature.

2) P&G, as a well-known multinational company with a large market share, has accumulated a large number of consumers loyal to a sub-brand through the years.

3) P&G, as the world's largest consumer goods company, has the financial and resource capacity to carry out the project.

### **4.2.2 Weaknesses**

Complex product types, many sub-brands, and high cost of creating an integrated online shopping platform.

### **4.2.3 Opportunities**

With the first quarter of 2023 coinciding with the Chinese New Year and the post-epidemic spending spree, P&G will seize the opportunity to make a strong comeback in the Greater China market.

### **4.2.4 Threats**

In the Greater China region, there are many affordable competitors with Chinese owned brands whose sales channels are dominated by online business, and P&G is under more competitive pressure.

## **5. Suggestion**

In summary, the advantages and opportunities for P & G far outweigh the disadvantages and crises. Products with higher brand awareness will definitely grow better in the market and help the company to gain profits. Therefore, as brand awareness increases, the number of customers will increase, and finally, the market share and profits will also grow [15]. The company's superb brand awareness and user loyalty will go a long way in helping P & G make a strong comeback in the Greater China region in early 2023.

Similarly, in the online business, P & G has the option of developing its digital ecosystem strategy, in which a number of largely independent economic players join forces to create digital products that are more valuable than the products or services of rental companies. Some digital ecosystems develop solutions that bring buyers and sellers together on a digital platform. A digital ecosystem is a set of interconnected information technology resources that can operate as a unit. A digital ecosystem consists of suppliers, customers, trading partners, applications, third-party data, etc., and can operate as a whole. A digital ecosystem consists of suppliers, customers, trading partners, applications, third-party data service providers, and all related technologies [16]. In summary, a digital ecosystem strategy requires adequate infrastructure, such as building an internet platform, securing customer privacy and information, setting up a stable, fast, and efficient trading platform, or partnering with a widely used payment platform, etc. This requires a significant investment, and in this regard, the threshold is too high for many small businesses. However, due to P & G's strong financial base, this strategy is highly feasible.

First of all, P & G should advertise well and reach out to potential customers with a large number of sub-branded advertisements, a step that will rely heavily on social media and the support of internet giants. different categories of advertising or promotions. At the same time, P & G should connect suppliers to customers and online shopping platforms directly to foundries around the world, eliminating the need for intermediate labor costs, packaging costs, physical shop costs, etc., so that the company can win a large increase in sales without reducing the profitability of individual products or reducing the profitability of individual products by a small margin. On the other hand, sub-brands in the skincare and beauty categories could launch apps with their products, where they could customize a healthy skincare plan for consumers with a tagline such as "Did you take care of yourself today" and collect information on the consumer's condition and experience after use. This helps consumers to maximize the effectiveness of the product in the most convenient way and increases brand loyalty. Similarly, data from consumers around the world can be collected as they use the app to facilitate efficient market analysis, customization, after-sales service, and optimization of the brand's localization strategy, which will also improve the level and quality of the company's online presence.

## 6. Conclusion

This paper provides data collection, research, and analysis of P & G's global business in 2022, with a focus on P & G's financial and operational strategies for 2022. It also provides an outlook, forecasts, and recommendations on how P & G will return to the physical economy and how it will strengthen its online business in 2023. Looking back at 2022, P & G's global business and sales are on an upward trend, with P & G achieving volume growth compared to the previous year in all regions except Greater China. However, it is worth considering that all the figures quoted in this article are based on the amounts shown in the company's financial report for 2022 and do not reflect changes in market size and the impact of discount and inflation rates at a global level, so the figures and results are only indicative at a monetary level. On the other hand, this paper focuses on how P & G will develop its digital ecosystem strategy in its outlook for 2023 and how it will reverse the negative sales growth of P & G in Greater China in FY2022, following the strong return of the Chinese New Year consumer market following the removal of all epidemic policies. This paper aims to examine how a large multinational company such as P & G, a giant in its industry, has managed to sustain and grow its sales in the current complex international and market environment and to analyze and learn from its financial and operational strategies.

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