

shows that the best solution for the customer is "more of the other guy's product." For P&G, that's OK. The company knows that creating the best situation for the retailer ultimately pulls in more customer traffic, which in turn will likely lead to increased sales for other P&G products in the same category. Because most of P&G's brands are market-share leaders, it stands to benefit more from the increased traffic than competitors do. Again, what's good for the customer is good for P&G—it's a win-win situation.

Honest and open dealings also help to build long-term customer relationships. P&G salespeople become trusted advisors to their retailer-partners, a status they work hard to maintain. "It took me four years to build the trust I now have with my buyer," says a veteran P&G account executive. "If I talk her into buying P&G products that she can't sell or out-of-stocking competing brands that she should be selling, I could lose that trust in a heartbeat."

At P&G, collaboration is usually a two-way street—P&G gives and customers give back in return. "We'll help customers run a set of commercials or do some merchandising events, but there's usually a return-on-investment," explains another CBD manager. "Maybe it's helping us with distribution of a new product or increasing space for fabric care. We're very willing if the effort creates value for us as well as for the customer and the final consumer."

It's Better to Give... Then to Receive

As a result of collaborating with customers, P&G receives as much or more than it gives.

For starters, P&G receives information that helps it to remain innovative and create better products. The collaborative nature of its customer relationships also allows for optimizing the product mix, which also optimizes revenue. And the kind of transparency that results from strategic partnerships enables P&G to remain efficient and keep costs low. Indeed, during the first decade of this millennium, P&G was flying high as revenues, profits, and stock price all maintained healthy growth.

But P&G's strong performance flattened out as its vast portfolio of brands began showing a major weakness. Despite holding top positions in many product categories, many of P&G's brands were small, poor performers, or both. This limited the growth and profitability of its stronger brands. So P&G undertook a major restructuring of its product portfolio. Over the past few years, P&G has sold off about 100 brands (including Duracell, Aleve, Noxema, Iams, Clairol, Wella, and Covergirl) in order to focus on the 65 strongest-performing brands (such as Crest, Bounty, Tide, Gillette, and Dawn, to name just a few). Although it may sound like P&G dumped a big chunk of the company, the 65 remaining brands have long been responsible for about 90 percent of total revenues and 95 percent of profits.

The now-leaner brand portfolio is also a much better fit with P&G's approach to strategic customer partnerships. Of the 65 remaining brands, 18 bring in more than \$1 billion a year each,

whereas another 17 account for at least \$500 million annually. Last year, P&G sold more than \$10 billion worth of diaper products under the Pampers brand alone. Eliminating the weaker brands not only relieves P&G of a heavy financial burden, but a stronger portfolio also enables P&G to better meet the needs of its customers. The company expects that there will be far fewer occasions where the best solution for the customer will be to recommend a competing brand.

P&G's approach to maintaining customer relationships is much, much more than "selling." "It's a P&G-specific approach [that lets us] grow business by working as a 'strategic partner' with our accounts, focusing on mutually beneficial business-building opportunities," states the CBD manager. "All customers want to improve their businesses; it's our role to help them identify the biggest opportunities." At P&G, building and maintaining enduring customer relationships involves working with customers to solve their problems to mutual gain. The company knows that if customers succeed, it succeeds.

Questions for Discussion

- 6-18** Compare and contrast the nature of the business market structure and demand relative to consumer market structure and demand for a specific P&G product.
- 6-19** For the same product, discuss the differences in the types of decisions and the decision process for business and consumer markets.
- 6-20** This case covers the various members of a P&G Customer Business Development team. For a P&G corporate client, illustrate how the different roles of the buying center might interact with that CBD team, if specific.
- 6-21** Discuss some ways that P&G's CBD structure is more effective than a single sales rep.
- 6-22** Why have P&G's competitors not been able to duplicate its customer relationship strategy?
- 6-23** Will P&G's divestment of 100 brands pay off? Why or why not?

Sources: Based on information from numerous P&G managers, additional information from Demitrios Kalogeropoulos, "The Procter & Gamble Company's Best Product in 2015," *Motley Fool*, December 2015, www.fool.com/investing/general/2015/12/27/the-procter-gamble-companys-best-product-in-2015.aspx; Penny Morgan, "Why Procter & Gamble Is Selling Some of Its Brands," *Market Realist*, March 8, 2016, www.marketrealist.com/2016/03/pgs-sale-brands-johnson-john-kimberly-clark/; Phil Whaba, "Procter & Gamble Selling Beauty Brands Like Clairol," *Fortune*, July 9, 2015, www.fortune.com/2015/07/procter-gamble-coty/; and www.us.pgcareers.com/career-areas-find-a-fit/sales/ and www.pg.com/vn/careers/our_functions/customer_business_development.shtml, accessed June 2016.