What Lessons Can We Learn from P&G's Recent Market Share Woes?

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Procter & Gamble brands have been losing market share for a decade. Sales have dropped over the past three years. P&G is losing young consumers, and its growth rate over the past five years has been only half that of its peer rivals like Unilever, Colgate-Palmolive and Kimberly-Clark. Meanwhile, newer, smaller brands that once would have been locked out of the market due to their smaller advertising budgets and lack of retail relationships are racing past their larger, more established rivals.

All of this has recently culminated in an expensive battle to keep activist investor Nelson Peltz from getting a board seat. While P&G is claiming victory (just barely) in this takeover attempt, there are some urgent lessons to be learned from its struggle, says Amanda Setili. One, P&G's lackluster performance is a cautionary tale about how rigid adherence to old ways of thinking can kill growth. And two, the same story is also a harbinger of opportunity for smaller, more nimble companies.

If this huge company with a 180-year history of success and $65 billion in revenue can be disrupted because it didn't pay attention to the new rules of growth, so can you. That’s the bad news. But the good news is that whether you are big or small, and whether you are new or old, your company can grow and gain market share if you follow these rules.

Rule #1: Embrace uncertainty. Companies that grow fearlessly know that highly predictable markets often create situations in which all competitors look alike and margins are thin. Thus, market uncertainties often create new opportunities for agile companies to differentiate themselves. That’s what has happened in the personal care market with young companies like Dollar Shave Club (acquired in July 2016 by Unilever) and Seventh Generation.

On the other hand, P&G has been accused by Mr. Peltz of “being slow, closed-minded, and too focused on its big brands at a time when shoppers are looking to more distinctive products,” according to the FT article. And the same article quotes Ali Dibadj at Bernstein as saying, “There’s a long history of this company being closed to outside points of view… ‘P&G’s rigid culture has hurt its ability to respond to changes.’

P&G has a reputation of clinging doggedly to the past. Being risk-averse and slow to respond puts you at the mercy of competitors who dance on the edge of uncertainty.

Rule #2: Get in sync with your customers. A recent Fast Company article titled “As Millennials Demand More Meaning, Older Brands Are Not Aging Well,” by Sebastian Buck, points out that while the older generation loves P&G, younger ones do not: “…Procter & Gamble is ranked No. 12 by boomers, but a lowly No. 103 with millennials—a huge disparity, despite spending more than $7 billion dollars per year in advertising (including efforts to make millennials care about fabric softener).”

It makes sense that P&G—a company whose strength peaked in the ’80s, when brands still reached American audiences through

TV—doesn't know how to connect with millennials who make buying decisions based on peer reviews and social media. Of course, that's no excuse. Unilever and Nestlé are buying up smaller companies that do know how to connect. P&G needs to do the same.

Rule #3: Partner, borrow and share. In the past, businesses needed to own or take responsibility for every aspect of their value chain, from research to development to operations to sales and marketing. Not anymore. Today, businesses that grow fearlessly crowdsource, outsource, and make use of freelancers, bloggers, microbusinesses, individual innovators, and myriad partners to achieve far more than they could on their own.

You don't need physical assets to grow huge in terms of reach and value. Airbnb has a greater market capitalization than Marriott, but owns no hotels or real estate. Uber is the world's largest car service, but owns no cars. What you do need to do is reach outside your company for new technology, ideas and ways of reaching customers. P&G was an early innovator in crowdsourcing. That's how it came up with the idea of the fabulously successful Swiffer duster—but they haven't kept up with this trend, and recent innovation efforts have suffered.

Rule #4: Connect and strengthen your ecosystem. When you create the right ecosystem for your company, it will take on a life of its own and grow itself. This requires building up a strong network of customers, suppliers, content providers, and channel partners. Look at Airbnb: Before they came along, staying in someone's home was risky business because guests did not know whom to trust. But Airbnb solves this problem by creating a platform for guests and hosts to rate each other. And many guests enjoy making friends with their hosts, having access to advice about local haunts, great places to eat, and how to escape the tourist trail.

Once an ecosystem gets going, it becomes self-sustaining and enables fearless growth. P&G’s historic success was driven by massive amounts of TV advertising, but P&G hasn’t managed to connect with the consumer in the ways that scrappier, newer companies have mastered. When was the last time you heard a blogger or someone on social media talk about Tide, Cascade, or Crest?

Rule #5: Open the floodgates of employee creativity. Employees want to be engaged in their work and want to contribute to something greater than themselves. Too often, however, employers squander their talent by over-measuring, micromanaging, and failing to inspire. It’s important to facilitate employees’ natural desire to collaborate with others and to grow their own skills. By giving employees the freedom, knowledge, and network they need to respond to emerging opportunities quickly and effectively, you will unlock vast power.

Procter & Gamble is known for promoting from within. Their culture has not really set the stage for infusions of fresh thinking from ‘outsiders.’ Nor is it particularly known for eliciting and fostering creative ideas or risk-taking in its employees. In fact, this was a major talking point for Peltz when he was seeking election to the board.

Rule #6: Learn fast and fearlessly. Fast learning, coupled with an “experimentation mindset,” is the most valuable competitive advantage a company can build. For example, UPS knows that regulations may someday require lower emissions and improved fuel efficiency, so it has a “rolling laboratory” of 11 different types of alternative-fuel and advanced-technology vehicles in use today. UPS is ahead of regulations in learning how to optimize each vehicle for the various driving conditions—from dense urban driving to remote rural driving.

Keenly observing the business environment, taking action before you feel fully ready, and incorporating what you’ve learned immediately into your strategy are all tickets to playing in today's fast-changing global economy. This is a level of agility that Procter & Gamble is uncomfortable with, at best. They need to get much better at experimenting, learning from successes and failures, and quickly applying what they learn—not just to changes they can see in the marketplace but changes they anticipate seeing.

Rule #7: Build trust into all you do. Trust is the ingredient that enables the growth of relationships with employees, business partners, customers, and those in your work community. It speeds innovation and growth and improves efficiency. Companies that build this trust work to neutralize fear and make it psychologically safe for employees to voice their ideas and opinions, make decisions, take action, gain new skills, and try new things.

P&G employees love their company, respect their leaders, and are proud to work there—all factors that contribute to an environment of trust, and which helped P&G win its proxy battle. Unfortunately, a common employee complaint is that P&G is bureaucratic and moves too slowly. P&G employees will become more innovative when they can trust that their management will move quickly to take action on their good ideas—that is where trust is missing at P&G.

The bottom line? No company can afford to rest on past success.

In fact, the companies that have had the most success historically are often the fastest to fall when the business environment changes. Their success paralyzes them. They are afraid to take risk with their valuable (though shrinking) brands, and hesitant to change business processes and policies that have driven their historic success. Companies that remain hungry, adaptable, and fearless will weather the storms of change and will win no matter what the future brings.

About the Author: *Amanda Setili, author of Fearless Growth: The New Rules to Stay Competitive, Foster Innovation, and Dominate Your Markets, is president of strategy consulting firm Setili & Associates. An internationally acclaimed expert on strategic agility®, she gives her clients, including Coca-Cola, Delta Air Lines, The Home Depot, UPS and Walmart, unbiased and laser-clear advice on how to respond quickly and intelligently to a changing marketplace,*