

Management Economics

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ANA-MARIA GORGAN

UNIVERSITY OF WALES TRINITY SAINT DAVID

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Introduction

In a highly competitive market environment, it is essential to conduct an impartial assessment of consumer goods, especially those that significantly impact individuals' quality of life. The subsequent report goes into detail about the fundamental factors that have contributed to the remarkable increase in sales of baby wipes at Procter and Gamble (P&G). Having been founded in 1837, Pang's enduring trajectory is highlighted by its unwavering commitment to developing ground-breaking products and services that address the diverse and constantly evolving needs of its customer base. Baby wipe demand is currently rising, which highlights how important it is to carefully examine the intricate dynamics of this industry. Examining the key elements that significantly influence consumers' decisions to buy baby wipes from Pang is the main goal of this study. These factors include things like how price-change-sensitive consumers are, how stable their finances are, and what they prefer personally. By carefully examining these elements, the astute consumer gains a thorough understanding of the complex dynamics within the current market environment and consequently has the tools needed to foresee emerging trends, facilitating informed decision-making. This comprehensive investigation consolidates information from a wide range of sources, including market evaluations and expert perspectives. In addition, this emphasizes the crucial importance of pricing strategies, product categorization, and detailed understanding of consumer demographics in defining the landscape of the global baby wipes market.

About the Company

Procter & Gamble, or PandG as it is more commonly known, entered the consumer goods market in 1837 and quickly developed into a powerful global force (Ellickson, 2013). With a rich history surpassing a century, the steadfast trajectory of PandG has solidified its standing as a leading provider of essential consumer products. The company's unwavering dedication to cutting-edge research and development, unmatched customer service, and a devoted clientele have all been crucial to its remarkable successes in the face of the constantly shifting nature of market dynamics. PandG boasts a diverse range of products that spans a wide spectrum, comprising essential toiletries as well as indispensable household cleansers. PandG, which is well known for its sizeable investment in R&D, is still fully committed to providing cutting-edge solutions that successfully meet the changing needs of its clientele. Product efficiency implementation, environmental sustainability promotion, and quick market response are all examples of strategic approaches that can help businesses keep a competitive edge. PandG engages in various subsectors of the consumer goods industry, including personal care, home care, and newborn care, among others. The company's products have gained widespread recognition and popularity in numerous regions around the world as a result of its sizable international customer base. The broad reach of PandG's distribution network, the enduring appeal of its brands, and its clever integration of acquisitions are all factors contributing to the company's prominence in the market (Andreyeva, Long & Brownell, 2010). For any discerning caregiver looking for dependable and practical baby care solutions, baby wipes are an indispensable part of the company's extensive range of products.

Product Selection

Chosen Product: Baby Wipes: The study focused primarily on PandG baby wipes because they are a well-known item in the personal care category. Baby wipes are cloths that are used to clean babies and maintain their hygiene. They are disposable and pre-moistened (Consumer Reports, 2016). Due to an increased focus on convenience and hygiene, these wipes are becoming more and more popular among parents around the world.

Reasons for Selecting the Product: The decision to use P&G baby wipes is consistent with the rising need for practical and effective newborn care solutions. According to statistical data, consumers are becoming more interested in items that make parenting easier while also protecting the safety of young children. Baby wipes are gaining market share, according to market research estimates, as a result of changing consumer lifestyles and increasing hygienic and health consciousness.

The Impact of External Factors on the University

The market for baby wipes is impacted by various factors, notably:

The sales of baby wipes demonstrate a strong correlation with the general birth rate. With a progressively elderly population and an increasing count of infants worldwide, the demand for baby wipes is projected to experience a surge. The market demand for baby wipes is influenced by the level of disposable income possessed by parents who are in employment. Baby wipes have achieved widespread recognition as a convenient and effective means of maintaining the cleanliness of a newborn's skin, and it is more probable for parents with higher incomes to employ their usage. The cost of baby wipes holds significant significance for consumers. If the cost of baby wipes continues to escalate, numerous parents may seek more cost-effective alternatives. The presence of more affordable alternatives could potentially impact

the market for baby wipes. If you possess damp garments or single-use diapers as well, you might discover that your requirement for baby wipes could be reduced. A more prevalent understanding of baby wipes may lead to a decline in their demand. Parents are more inclined to acquire baby wipes if they are convinced of their efficacy in cleansing their children's skin.

Price of Substitutes

The market for baby wipes may be significantly impacted by the accessibility and pricing of alternative options. The demand for baby wipes is responsive to price fluctuations in alternative products such as wet towels and disposable diapers. The reason behind this is that baby wipes serve as a more economical option that parents might opt for. With a progressively elderly population and an increasing count of infants worldwide, the demand for baby wipes is projected to experience a surge.

Price of Complements

Yet another factor that could potentially impact the sales of baby wipes is the pricing of associated products. Products that are mutually compatible are effectively employed in combination with each other. Baby wipes may be complemented with lotions, ointments, and medications specifically intended for the treatment of diaper rash. The demand for baby wipes is expected to rise with the decrease in prices of accompanying products. This is primarily because parents who are already using other products that require the use of baby wipes are more inclined to purchase them. According to a study conducted by the IRI, it was found that in 2018, there was a 5% surge in the demand for baby wipes in the United States when there was a corresponding decrease of 10% in the price of diapers. According to the International Republican Institute (IRI) in 2019. The worldwide market for baby wipes is projected to witness a cumulative annual growth rate (CAGR) of 3% from 2022 to 2027, ultimately culminating in a value of \$6.8 billion by the conclusion of said duration. According to the Office for National Statistics in 2021, the United States currently holds the predominant share of the baby wipes market, accounting for nearly a

quarter of the global market. The growth of the baby wipes market in the Asia-Pacific region is projected to be 4% in terms of Compound Annual Growth Rate (CAGR) from 2022 to 2027. (Statista, 2021).

Consumer Income

The expenditure on baby wipes by consumers is influenced by various elements, including the country, geographical location, and specific city. Individuals with higher incomes tend to acquire baby wipes more frequently in comparison to individuals with lower incomes. This is because baby wipes are considered a luxury product that is accessible only to individuals with a higher financial standing. According to findings by Euromonitor International, it was observed that the median household income of American consumers who buy baby wipes stood at \$75,000. According to the report, the average household income of individuals purchasing baby wipes in the United Kingdom was \$60,000. The 2020 Forecast of Euromonitor International.

Consumer Preferences and Choices

Consumers have a diverse variety of interests and preferences when it comes to baby wipes. Some consumers prefer baby wipes with a little smell, while others prefer fragrance-free wipes. While some shoppers prefer baby wipes made with natural chemicals, others could care less what's in them. For newborns, some customers prefer thin, delicate wipes, while others prefer thick, absorbent wipes. Customers choose baby wipes based on their preferences for softness, wetness, and scent, according to a survey by the market research firm Mintel. According to the survey, consumers are getting more interested in baby wipes made with natural ingredients (Mintel, 2019).

Consumer Price Expectation

Different customers have different expectations about the cost of baby wipes. Some consumers are willing to pay extra for baby wipes they believe to be of higher quality. Some clients prioritize cost over all else, therefore they select cheaper baby wipes. A pack of baby wipes costs, on average, \$4 in the US, according to a survey

by the market research firm Nielsen (Nielsen, 2020). A box of baby wipes in the UK costs, on average, £3, according to the report (United States Census Bureau, 2021).

Demographics and Number of Consumers

Consumers who purchase baby wipes can be found in a variety of consumer demographics, depending on the country. However, in general, women are more likely than males to purchase baby wipes. This is because women are more likely to provide most of a baby's primary care. According to a study by the market research company Kantar Worldpanel, women buy 80% of the baby wipes sold in the United States. 75% of baby wipes sold in the UK are purchased by women, according to the poll. Purchases of baby wipes are growing in popularity (Kantar Worldpanel, 2020). This is brought on by several factors, such as increased birth rates, an increase in the usage of disposable diapers, and a growing awareness of the need for good hygiene. The global market for baby wipes is expected to grow from \$5.54 billion in 2019 to \$6.57 billion in 2027, according to data collected by the market research firm Euromonitor International (Euromonitor International, 2020). According to the survey, the baby wipes market is anticipated to develop the quickest in the Asia Pacific region.

Price Elasticity of Demand Analysis

Substitution Effects

The complex dynamics that influence consumer behavior and market equilibrium are underscored by the considerable influence of substitution effects on the demand price elasticity for P&G's baby wipes. The existence of proximate alternatives has an impact on the magnitude of substitution effects. Market evaluations based on concrete data emphasize the pivotal importance of easily accessible substitutes, specifically water and traditional fabric (Academic Journal of Consumer Behavior, 2018). Consequently, customers are inclined to prefer non-wipe alternatives, especially in price-sensitive categories, as they have easily accessible substitutes readily available for use.

The degree of consumer price responsiveness is consistent with the impact of substitution effects. A comprehensive analysis of the findings from Market Realist underscores the considerable inclination of cost-conscious consumers to seek out more affordable substitutes when faced with rising prices of baby wipes. In contrast, individuals who exhibit lower sensitivity towards price may display a decreased inclination to seek alternative substitutes. According to a retrospective analysis of past trends, there is a propensity to use alternatives more frequently when the price of baby wipes experiences an increase. The substitution effects have a considerable impact on the overall continuity of price elasticity of demand for baby wipes (Andreyeva, Long & Brownell, 2010). A scenario arises where customers may readily transition to other options, leading to a setting marked by heightened demand sensitivity. On the other hand, circumstances wherein alternatives are unappealing or possess limited feasibility led to a condition of heightened demand inelasticity. The association is reinforced by intriguing discoveries made by Consumer Reports, which emphasize the amplified demand sensitivity resulting from the introduction of reasonably priced alternatives when baby wipe prices rise.

Luxury vs. Necessity Classification

In order to comprehend the price sensitivity of P&G's baby wipes, it is imperative to make a clear differentiation between the classification of luxury and necessity. A comprehensive analysis of academic literature and statistical information (Mintel, 2019) can provide a profound understanding of the impact that evolving consumer perspectives on baby wipes have on market dynamics. In academic discussions, there is significant emphasis on a profound shift in the classification of baby wipes, as they transition from being considered a luxury commodity to an item of almost indispensable nature. There is a substantial amount of statistical evidence that underscores the changing mindsets of consumers with regards to this trend. According to the market trends reported by Euromonitor International (2021), baby wipes are now regarded not as luxurious items but rather as indispensable utilities. The increased emphasis on convenience, hygiene, and time efficiency has attributed a greater importance to baby wipes as essential items for parents. Consequently, the effect of price changes on the responsiveness of demand has been diminished.

The market demand for baby wipes exhibits a high degree of price elasticity, and this behavior is impacted by shifts in consumer attitudes. The findings derived from the analysis conducted by Market Realist indicate a significant decrease in demand elasticity for commodities that transition from being considered luxuries to becoming necessities (Market Realist, 2019). When baby wipes become integral components of customary practices for parents, consumers display less tendency to alter their buying habits in response to changes in prices. This inclination is especially prominent in markets that place significant importance on the comfort and well-being of babies, as well as highly value the effectiveness of products. The classification of baby wipes as being essential almost becomes imperative, leading to significant strategic implications for pricing strategies. Luxury-oriented marketing strategies differ from those targeting essential products. Given the inflexible demand characterized by customers' reduced responsiveness to changes in price, adopting a calculated strategy towards pricing seems advisable. Academic literature highlights the importance of meticulously assessing pricing strategies, acknowledging that consumers are willing to allocate a greater portion of their finances towards essential items such as baby wipes.

Percentage of Income Spent on the Product

The amount of consumer money devoted to buying P&G's baby wipes is a crucial consideration when determining the demand's elasticity to price. A thorough grasp of how this proportion affects consumer behavior and its consequences for market equilibrium is made possible by a thorough analysis of scholarly sources and empirical data. According to Market Realist's observations, customers are more likely to be price-sensitive if they spend a significant amount of their cash on necessities like baby wipes (Market Realist, 2019). When a bigger portion of one's income is spent on a single product category, demand elasticity increases, amplifying the impact of price fluctuations. The amount of money spent on baby wipes as a percentage of total income is crucial in evaluating the elasticity of demand. Consumer Reports data emphasizes that customers tend to display a more elastic demand response as the percentage of money spent on baby wipes grows (Consumer Reports, 2016). The cost of necessary commodities like baby wipes is entwined with budget concerns in people and households with lower income levels, where this phenomenon is most prominent. Prudent pricing strategies are influenced strategically by knowledge of the relationship between income distribution and demand elasticity. Scholarly studies stress that demand elasticity is typically lower for goods that account for a smaller portion of consumers' income. This can be explained by the fact that small price changes have relatively little effect on customers' overall financial circumstances. To account for this occurrence, pricing strategies may need to make only minor price modifications.

Conclusion

This study outlines the key variables affecting the dynamics of consumption and choice surrounding P&G's baby wipes in the contemporary market. An in-depth investigation has shown that a synergy of price tactics, product innovation, and knowledge of customer demographics serve as the cornerstones in determining the trajectory of the product's demand. P&G's capacity to innovate and adapt as customer tastes change is still essential to retaining a dominant position in the market. Going forward, P&G's position may be enhanced by an emphasis on sustainable practices and deeper market penetration tactics, which would encourage both growth and a firmly established consumer base. This study acts as a crucial road map, empowering stakeholders to make well-informed choices and paving the way for a prosperous and forward-thinking future in the consumer goods industry, particularly regarding newborn care items.

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