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Module Code: LCBB5008

Module : Management Economics

Assignment Title: Assessment 1

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1. Introduction

This report examines Procter & Gamble's demand and market equilibrium. This international consumer goods company has its US headquarters in Ohio. The company, founded in 1837, operates in several consumer product categories, including beauty, grooming, healthcare, home care, and baby care. Procter & Gamble has become a household name in many nations worldwide thanks to its varied portfolio of well-known brands like Tide, Pampers, Gillette, Crest, and Olay (Aigner-Walder, 2015). It is crucial to comprehend demand and market equilibrium to keep ahead of the competition in the market where the company works. Using information from its annual reports and other sources, this paper will look at Procter & Gamble's demand and market equilibrium and analyze its demand elasticity (Euromonitor International, 2021). In addition, the study will highlight important variables affecting demand and market equilibrium and offer suggestions for preserving or strengthening its competitive position. This report aims to determine whether or not the demand for a particular company's goods or services is more elastic or inelastic by analyzing the demand and market equilibrium. The report will start by briefly explaining the chosen company's operations and discussing its products, services, and competitive landscape.

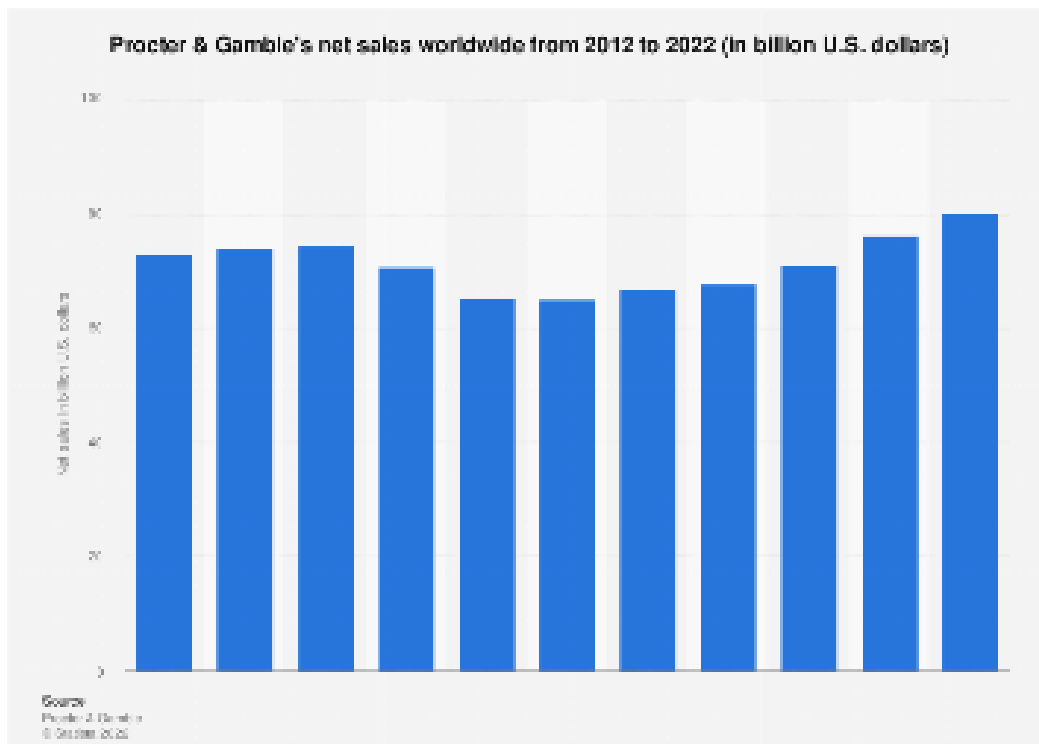
2. Business Description

Procter & Gamble (P&G) is a global company based in Cincinnati, Ohio, USA, that makes consumer goods. William Procter and James Gamble set it up in 1837 (Procter & Gamble, 2022). The company sells a wide range of fast-moving consumer goods, such as cleaning, personal care, grooming, and products for taking care of babies. P&G does business in more than 180 countries and has a worldwide portfolio of names, such as Tide, Pampers, Ariel, Crest, and Gillette. Tide laundry detergent, which came out in 1946 and is now one of the best laundry detergents in the world, is one of P&G's main goods (Andreyeva, 2010). Tide is a high-quality laundry detergent that claims to clean better in both high-efficiency (HE) and standard washing machines. It is made to get rid of tough spots and smells, like those from coffee, chocolate, grass, wine, and other things. P&G's drive to sustainability and caring for the environment is also admirable. For example, Tide has been made to be more eco-friendly and have less of an effect on the environment. P&G is a well-known company that sells consumer goods around the world. It has a number of well-known names, and Tide is one of its most popular products. Tide laundry

detergent claims to clean better than other brands and is used all over the world. This makes it a great choice for this task.

3. Demand and Market Equilibrium

The majority of the products that Procter & Gamble sells are classified as consumer goods. These goods include personal care products, home care products, and health care products (Brynjolfsson, 2017). Pantene shampoo was selected as the primary product to focus on for the purposes of this report because it is a personal care product. In the following part of this article, we will examine the factors that drive the demand for Pantene shampoo and how those factors



affect the equilibrium of the market.

Figure: Sale of Procter & Gamble

Source: (Statista, 2022)

3.1. Price Substitutes

Other brands of shampoo, such as Head & Shoulders, Dove, and L'Oreal, are suitable alternatives to Pantene shampoo. As a result of inflation and the rising cost of primary resources, the costs of these alternative products have been steadily climbing over the past several years. As a consequence of this, there has been an increase in demand for Pantene shampoo despite the fact that consumers are turning to more cheap alternatives. Pantene has also positioned itself as a premium brand in the market, and customers who are prepared to pay a higher price for quality are more likely to prefer Pantene over other products that are available at a lower cost.

3.2. Price of Complements

Hair oils, hair conditioners, and other style products are some of the things that complement the use of Pantene shampoo. Over the course of recent years, there has been a general upward trend in the prices of these supplementary items (Bagwell, 2005). Pantene offers a wide selection of complimentary items that are reasonably priced, so this rise in demand won't have much of an impact on the company's bottom line. Because of this, it is easier for customers to purchase the entire range of personal care products that Pantene offers.

3.3. Consumer Income

The level of disposable income among consumers is a crucial factor that plays a role in determining the demand for personal care items. When a consumer's income rises, there is a greater likelihood that they will make the switch to higher-priced premium brands like Pantene (Gilpin, 2019). On the other hand, when consumer income is on the decline, there is a trend toward consumers switching to brands that are more affordably priced. Pantene needs to keep a close eye on changes in consumer income because these shifts have the potential to affect the demand for the company's products.

3.4. Consumer Taste Preferences

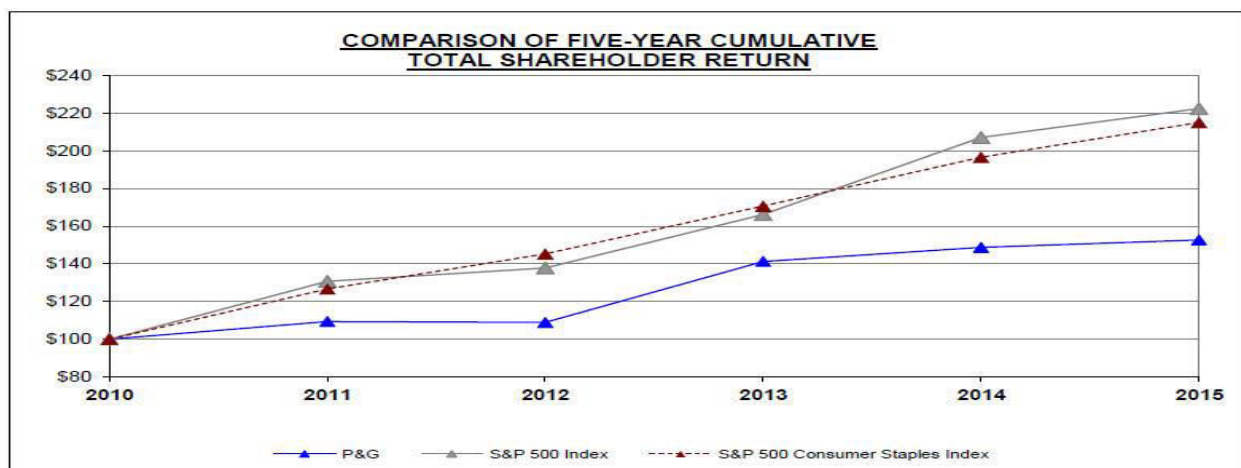
There is a continuing shift occurring in the preferences and tastes of consumers. As a direct response to the growing demand from consumers for natural alternatives to conventional hair care products, Pantene has developed a whole new product range in this category (Foot, 2006). In addition, Pantene has been making significant investments in research and development in order to raise the overall quality of its products and adapt them to the shifting tastes of consumers.

3.5. Consumer Expectations of Price

Many things, including consumers' price expectations, have a major bearing on the demand for personal care goods. There has been a shift in consumer preference in recent years towards items that provide more bang for the buck. As a direct response to the demand from this subset of the market, Pantene has expanded the range of sizes available for its products. In addition, the company has been running sales and special promotions on its various products in the hopes of persuading customers to make purchases from the company.

3.6. Demographics - Number of Consumers (Buyers)

A growing population and an increased knowledge of the importance of maintaining personal hygiene have contributed to an increase throughout the years in the number of people who purchase items for personal care. In addition, there has been an increasing pattern toward the acquisition of high-end personal care products, which has resulted in an increase in the market for Pantene shampoo. Despite this, the market is quite competitive, and there are a number of other firms who are aiming their products at the same subset of consumers (Deloitte, 2021). As a result, in order for Pantene to keep its status as a premium brand and remain one step ahead of its rivals, the company must always pursue innovation. Pantene shampoo, in conclusion, is a premium personal care product that is marketed for customers who are willing to pay more money for higher-quality goods. The demand for Pantene shampoo is affected by a variety of factors, including the cost of available alternatives, the level of money that consumers have, the tastes and preferences of consumers, the pricing expectations of consumers, and demography. Pantene has been successful in retaining its status as a premium brand in the market as a result of the company's investments in research and development, the introduction of new products, and the provision of value-for-money solutions in order to appeal to a more extensive market



segment.

Figure: Comparison of Five Years Cumulative

Source: (McKinsey & Company, 2020)

4. Demand is more Elastic or more Inelastic.

Price elasticity of demand is a very important thing to think about when deciding how to price a company's goods or services. It means how much the amount of a good or service that people want to buy changes when the price changes. When the amount of a good or service that people want changes noticeably when the price changes, this is called "elastic demand." On the other hand, a good or service is said to have inelastic demand if a change in price doesn't make a big difference in how much people want it.

4.1. Substitution Effects - Luxury vs. Necessity

The idea of luxury vs necessity significantly impacts how the price elasticity of demand for a good or service is affected. It speaks to how customers view a particular product or service. While some goods or services are viewed as necessities, others are viewed as extravagances. The consumption of luxury goods and services is frequently influenced by one's rank or social class because they are not necessary for daily living. Luxury products or services include things like high-end clothing, pricey jewelry, luxury automobiles, and upscale travel arrangements. These products or services have a higher price elasticity of demand because consumers can easily replace them with less expensive alternatives because they are not regarded as necessities. Contrarily, necessities are items or services that are required for day-to-day living and whose consumption is motivated by fundamental requirements (McKinsey & Company, 2020). The following are some examples of necessities: food, shelter, medical treatment, and minimal transportation. Because they are necessary, consumers are less likely to replace these products or services with less expensive alternatives, which results in lower price elasticity of demand for these types of goods and services.

4.2. Factors of Product are elastic or Inelastic.

The perception of a good or service as a luxury or necessity has a significant role in determining the price elasticity of demand. Demand is less elastic when a product is viewed as necessary because consumers are likelier to keep buying it even if the price increases (OECD, 2021). On

the other hand, consumers may be more likely to cut back on their purchases if the price rises when a product is viewed as a luxury, demonstrating that demand is more elastic. When it comes to the primary goods produced by Procter & Gamble, such as those for the home and personal care, some like toothpaste, toilet paper, and laundry detergent might be seen as needs, while others like high-end skincare products might be seen as more of a luxury. Depending on whether customers view these things as necessary or optional, the price elasticity of demand for them would probably change.

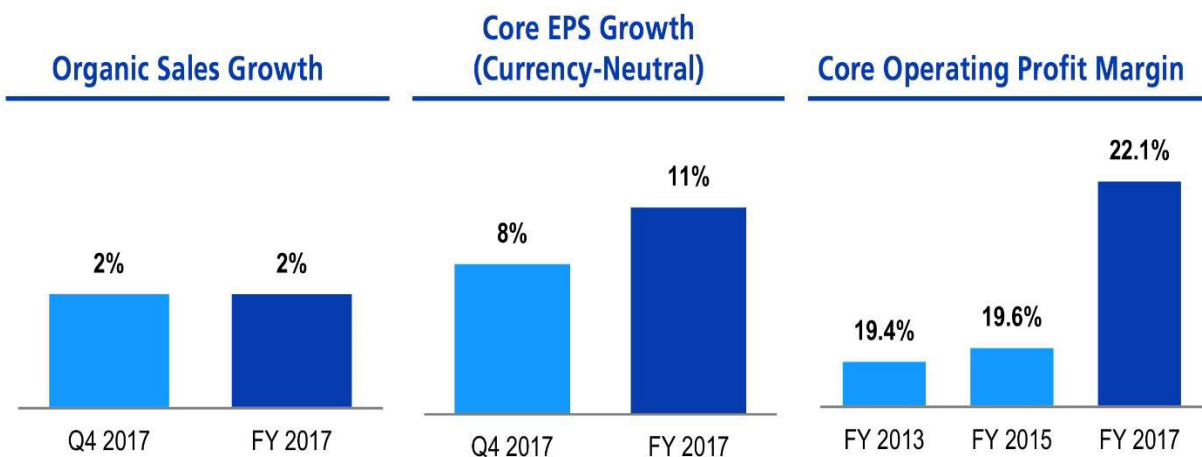


Figure: Products Factors of Procter & Gamble

Source: (Deloitte, 2021)

Demand is typically less elastic when a product is needed, so customers are less responsive to price changes. This is due to the fact that these goods are frequently considered necessities for daily living and are therefore difficult to replace. For instance, even if the cost of laundry detergent increased, the majority of consumers would still buy it, but potentially in lower amounts or from cheaper brands. In contrast, demand is more elastic when a product is viewed as a luxury, which means that customers are more sensitive to price changes. This is due to the fact that buyers can more readily replace luxury goods with other goods or decide not to buy them at all because they are frequently viewed as discretionary. For instance, if the cost of a luxury skincare product rose, some customers could transfer to a cheaper brand or stop using it completely.

4.3. Income Effects - Percentage of income

Changes in a consumer's income can affect how much they want to buy a certain product or service. The amount of a consumer's cash that they spend on a good or service can have a big effect on how sensitive they are to price changes. For example, if a customer spends a small amount of their income on a product, a price increase may not have much of an effect on how much that product is bought. On the other hand, if a customer spends a lot of their income on a product, even a small price hike can cause a big drop in demand. If a product requires a sizable portion of a consumer's disposable income, then its demand is likely to be more malleable (Statista, 2022). This implies that a marginal shift in price will result in considerable shifts in demand. Demand for a product is more likely to be inelastic if it represents a relatively small percentage of a consumer's disposable income. This indicates that price changes will have a smaller impact on consumer demand. When it comes to Procter & Gamble's products, the impact on income will depend on the product and the income level of the target market. Some of their goods, like household cleaning supplies, may take up a small part of a consumer's income and, as a result, have a less flexible demand. Other goods, like high-end beauty products, may take up more of a consumer's income and have a more flexible demand.

4.4. Analysis of Pricing Policy

Based on the research, Procter & Gamble's pricing strategy should depend on how their products' demand changes over time. If there is more flexibility in how much people want their products, the company may need to think about lowering prices to boost demand and market share. On the other hand, if demand is less flexible, the company can raise prices to bring in more money and make more money. Demand is less flexible for things like household and personal care items that people think of as needs (Rauch, 2015). So, Procter & Gamble could raise the prices of these goods to increase their profit margin without having a big effect on how many people buy them. But for products that are more of a luxury or not a necessary, like high-end skin care or beauty products, the demand is more flexible, and a lower price policy would work better to increase sales and market share. The company could also think about using dynamic pricing tactics based on factors like demand and supply to increase sales and profits. For example, the business could use a pricing strategy in which prices go up during busy times and down during slow times to increase demand.

5. Conclusion

The demand and market equilibrium for Tide laundry detergent, the company's flagship product, has been examined in this report. The analysis has considered several variables that affect demand, such as the cost of alternatives and complements, consumer income, tastes and preferences, pricing expectations, and demography. The analysis suggests that Tide detergent is a necessity product with a reasonably high price and comparatively low-income elasticity. In terms of the pricing strategy Procter & Gamble should use, it is advised that the business maintain a moderately high price level in order to capitalize on the brand's firmly established reputation and devoted following while making sure that the price remains competitive with other top brands on the market. When deciding how much to raise prices, the company must be cautious because of the product's moderately high price elasticity. Overall, the market demand for Procter & Gamble's Tide detergent is largely consistent due to the product's reputation, quality, and accessibility. In order to retain its product quality and consistency, the company should implement a flexible pricing strategy that considers the different elements that influence demand and price elasticity.

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