



# Tom Muccio: Negotiating the P&G Relationship with Wal-Mart (Video), DVD

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In the 1980s, Walmart and Procter & Gamble pioneered an epic alliance to keep-up with the needs of serving more than 242 million customers.



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Family owned discount store  
 - Founded in 1962 by Sam Walton  
 - Now the largest retail chain in the world, with 10,000 stores in 28 countries

Procter & Gamble  
 - Founded in 1837  
 - One of the largest consumer goods companies in the world  
 - Products include baby wipes, paper towels, toilet paper, and many others

**Case Question 1:** Explain Walmart and P&G's efforts to build a business relationship in order to better coordinate their operations.

Why did P&G and Walmart negotiate and build a shared partnership at the end of the 1980s?

Walmart and P&G had to build a business relationship in order to better coordinate their operations. A better coordination response to demand and inventory management. Reduction in storage costs resulting in cost savings. A better production planning. Manual vs. Automated Data Collection and Sharing.

**Case Question 2:** What is the biggest challenge in negotiating a shared partnership with a company that has a different business model?

Collect, And Share, Accurate DATA

Manual vs. Automated Data Collection and Sharing

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Manual vs. Automated Data Collection and Sharing

SWOT:

Strengths: Walmart's large scale, P&G's brand power, shared data, improved inventory management, reduced storage costs.

Weaknesses: P&G's complex supply chain, Walmart's focus on low prices, limited P&G product range at Walmart.

Opportunities: Expanded product range at Walmart, improved customer service, better inventory management.

Threats: Increased competition, changing consumer preferences, economic downturns.

**Case Question 3:** Which criteria would you use to measure the success of the shared partnership?

Reduced storage costs, improved inventory management, reduced storage costs, better production planning.

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P&G and Walmart used to negotiate their supply chain separately. They automation sharing resulting in a lot of resources and shared information to manage the supply chain. Expanded product range. Improved customer service. Better inventory management.

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**Case Secondary Issue**

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How automation sharing system also integrating both sides?

In order to be the problem and avoid using time and resources a common standard and procedure in both databases to harmonize the information.

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**Recommendations...**

To capture opportunities in e-commerce, P&G needs to improve product and service offerings, such as one product, seasonal items, and branded products.

The Walmart's comprehensive analysis of big data from social media gives P&G and Walmart big insights on trends across the value chain, related products, and consumer segments.



**Recommendations (Cont.)**

These two companies could agree on an even more integrated solution. Partnering partners in a third party transportation, storage, and inventory.

Taking advantage of the already strong partnership, these companies could create unique software to share information, keep records, and analyze data.



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- Family-owned discount store
- low-cost goods for customer,
- Walmart is currently the world's largest retailer
- 4,300 facilities with various formats including supercenters, discount stores, neighborhood markets, and warehouses.

1962	the first Walmart store was founded in Rogers, Arkansas
1969	the company officially incorporated as Wal-Mart Stores, Inc.
1970's	expansion of Walmart was national
1972	Walmart was listed on the New York Stock Exchange with 51 stores
1979	Walmart Foundation was established
1983	the first wholesale store, SAM's Club, opened in Oklahoma
1987	the largest private satellite communication system in the US was installed
1988	the 1 <sup>st</sup> Walmart Supercenter was opened in Washington, MO
1990's	Walmart expanded its business to overseas
2000's	Multichannel store
2011	The first Walmart Express stores were introduced in Arkansas



## Case Question 1:

• 1980s: Walmart and P&G hope to build a

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- America's biggest maker of household products.
- 250 brand merchandises in
- Three main categories: beauty & grooming, household care, and health & well-being

1837	P&G was born, namely Procter & Gamble, in Cincinnati, USA
1879	Ivory Soap, the first branded product was launched
1886	Production started at Ivorydale
Since 1910's	P&G introduced wide range of consumer goods to market: Tide, oral care - Crest, diaper - Pampers...
1923	The first commercial advertisements for P&G products were published on radio
2004	P&G created the Children's Safe Drinking Water program by using revolutionary water purification sachets
2010	With net sales of 78.9 billion USD, P&G become one of the world's leading consumer products companies



SWOT.

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- P&G and Walmart used to manage their supply chains separately,
- No information sharing, resulting in
- Out-of-stock issues and
- Elevated inventory costs.
- 1988: joint strategy to manage the supply chain:
  - Established business teams.
  - Created an effective information-sharing method.
  - Executed a CPFR strategy.
  - Implemented an ECR.
  - Unified product coding.
  - Shaped a VMI program.

**SUPPLY CHAIN MANAGEMENT  
DECISIONS TO TAKE CARE OF  
STOCK-OUTS**  
**WAL★MART®**  
**P&G**

## Case Secondary Issue

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- EDI automated updating system was exchanging bad data faster.
- In order to fix this problem and avoid wasting time and resources: a common scorecard and lined prices in both databases to harmonize the information.



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<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"><li>- World's largest retailer (More than 10,000 stores in 27 countries, almost \$500 billion revenues, over 1 billion square feet of space.</li><li>- Low cost leadership (has a strict and reliable policy of "value for money" based on its founder.</li><li>- Operates in several retail formats which allows the company to retain customers by offering savings options i.e. SAMs Club.</li><li>- Has one of the wider range of products available in the retail industry (offers: grocery, apparel, entertainment, health and wellness. Home goods,</li><li>- Effective information systems (tracks orders, inventory levels, sales, and other 24/7 in real time).</li></ul>	<ul style="list-style-type: none"><li>- Bad reputation of being a bad employer (Walmart encourage managers to keep wages as low as possible).</li><li>- Little differentiation.</li><li>- Harmed reputation for international scandals (Latest cases: Mexico, Pakistan, and India).</li><li>- Strict "antiunion" policies.</li><li>- Lack of customer service</li></ul>



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Opportunities	Threats
<ul style="list-style-type: none"><li>- Retail market growth in emerging markets.</li><li>- Increasing tendency of emerging markets towards e shop.</li><li>- Rising trend of health and wellness has increased "eat at home".</li></ul>	<ul style="list-style-type: none"><li>- Over two million employees and rising increases exposure to increasing wages and high healthcare costs.</li><li>- Highly sensitive to economic downturns worldwide (volatility in commodity prices and cost inflation will tighten margins.</li><li>- Increasing international resistance to expansion to due multiple scandals.</li><li>- Tougher regulations of international labor.</li><li>- Increasing and constant pressure from main competitors Target and K-mart in a saturated market like the US.</li></ul>

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ALWAYS LOW PRICES.

*Always.*