

P & G's New CEO Seeks To Add 1 Billion Customers

DAN SEWELL AP Business Writer — October 14, 2009

CINCINNATI (AP) — The Procter & Gamble Co.'s new CEO wants to fire up growth by adding a billion new customers for products such as Pampers diapers and Gillette shavers around the globe over the next five years.

P&G veteran Bob McDonald spoke with shareholders Tuesday in the first annual meeting since he moved up from chief operating officer on July 1 with sales down as households cut spending in the recession. McDonald says P&G reaches about 4 billion people now, but is focused on getting more people to buy more products in emerging markets, led by China and India.

"The potential for growth is amazing," said McDonald, saying P&G is offering more low-priced versions of its products to lure lower-income consumers. He also said the world's largest consumer products company will take advantage of its size and brand strength.

He said while the average Mexican spends about \$20 a year on P&G products in that country, Chinese per-capita spending on the company's goods is only about \$3 and India \$1. Getting usage in those giant countries to Mexico levels would add some \$40 billion in sales, he said.

McDonald also pledged to streamline P&G operations to make the company more efficient and fast-responding.

P&G officials said recently they expect sales to start coming back this fall around price cuts, new products and value-focused promotions, after falling 3 percent, to \$79 billion for the last fiscal year. The company will report first-quarter results Oct. 29.

Shareholders turned down, with 54 percent against, a proposal for an advisory vote on executive compensation. High corporate pay has become a growing issue during the nation's financial crisis, and backers said a nonbinding vote would let the P&G board see shareholder views on compensation.

During questions from the floor, a shareholder asked why P&G was letting "foul-mouthed athletes" represent their products. Tennis star Serena Williams has appeared in advertising for Tampax feminine care products since her tirade last month against a lineswoman at the U.S. Open, which brought a \$10,000 fine for unsportsmanlike conduct.

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"She apologized, and we accepted her apology," McDonald said, adding that "we'd have to review" the relationship if the behavior is repeated.

McDonald and many shareholders also paid tribute to A.G. Lafley, who stays on as chairman after nine years as CEO. Lafley's son Patrick took the microphone to comment on the "countless hours of work," stress and even personal threats his father endured.

"Thank you, Dad, good job," he said, as the crowd applauded.

P&G stock has been climbing back after sliding to \$43.93 in March, but fell 24 cents to close at \$57.26 in trading Tuesday.

"I think they've weathered the situation well," said Donald Kittle, a shareholder and retired oil company employee from Rising Sun, Ind.

Steve Moore, who retired from P&G two years ago after 30 years, said McDonald, with an Army background and skill for running efficient operations, is a solid choice in an uncertain time.

"I feel pretty comfortable with his leadership style," Moore said.

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