Procter & Gamble Yet To Benefit From Market Opportunities in mass men's toiletries

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Procter & Gamble has been targeting men's grooming, as indicated by the company's recent reorganisation of its beauty division into male and female units, in addition to its two recent acquisitions â€“ Zirh and The Art of Shaving â€“ two high-end men's grooming ranges.

Men's grooming is projected to grow above the industry average over the forecast period but, despite the company's initiatives, Procter & Gamble is missing out on a much wider growth opportunity by confining itself to the premium segment.

Men's skin care to drive growth in men's grooming
Procter & Gamble's core areas are hair care, men's grooming and oral care, generating 30%, 22% and 16%, respectively, of company turnover. With the exception of men's grooming, both hair care and oral care are expected to grow below the industry average.

Thus, of its core categories, men's grooming offers the best growth prospects in percentage terms, with a projected (global) CAGR of 2.8% compared to 2.3% for the industry as a whole over the forecast period.

Absolute growth in men's grooming will be primarily led by men's toiletries. While men's shaving is projected to contribute 30%, men's toiletries will contribute 70%.

Procter & Gamble has good coverage in men's shaving through Gillette blades and razors, but its presence in men's toiletries, primarily through deodorants, is relatively small.

Absolute growth in men's toiletries will be led by men's skin care and deodorants, but it is men's skin care that is projected to see strong growth in both percentage and absolute terms, making it the most lucrative category within men's grooming. Procter & Gamble is a small player in men's skin care, ranking 14th globally.

It is expected that both Zirh and The Art of Shaving will help improve Procter & Gamble's profile in men's toiletries, including skin care. However, both are high-end brands with limited market scope.

Better growth potential in the mass segment
While Procter & Gamble is rightly focusing on expanding its presence in men's toiletries, its positioning in the premium segment is limiting its growth potential.

The company, therefore, should also look to expand its presence in the mass segment.

Procter & Gamble owns the well-known male shaving brand Gillette, which it could push further in men's skin care. Although not strictly a moisturiser, the company announced in mid-2010 that it was set to launch a pre-shave thermal scrub, which it likened to a hot towel at a barber's shop, along with a cooling post-shave moisturiser, both under the Gillette brand.

The announcement was part of a message to Gillette consumers to take better care of their skin. The products are expected to be priced between US$7-9.

Men's skin care in China to drive absolute growth
Competition in men's skin care is intense, with both Beiersdorf and L'OrÃ©al vying for the leading position. Launching products with cross-functional benefits â€“ ie a cooling-effect post-shave moisturiser â€“ sets Procter & Gamble apart, but L'OrÃ©al and Beiersdorf have both launched products which are specifically designed for men's skin.

In addition, L'OrÃ©al and Beiersdorf have gone a step further by expanding their operations in Asia-Pacific through launching men's skin whitening products.

Both Beiersdorf and L'OrÃ©al feel that Asian men are more likely to have a beauty regime than their Western counterparts. China is expected to contribute approximately 50% of the projected absolute global growth in men's skin care between 2009 and 2014.

To remain competitive in this market and fulfil its growth potential, Procter & Gamble should consider expanding in China's men's skin care market.

Looking forward

While Procter & Gamble is on the right track in targeting men's grooming through its acquisition of The Art of Shaving and Zirh, the company is confined to exclusive ranges only. There is stronger growth potential in the mass segment, particularly in China.

Although competition in men's toiletries is intense, investment in product development and marketing should help lift Procter & Gamble's profile in the category.

Moreover, Procter & Gamble can leverage its understanding of men's toiletries, particularly men's skin care, from its recent acquisitions to expand in the mass segment.

The market for men's toiletries is relatively small and easy to break into, particularly for a company with Procter & Gamble's financial clout.

Analyst Insight by Oru Mohiuddin.

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