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Q3 2020 Earnings Call

Company Participants

- Jon R. Moeller, Vice Chairman, Chief Operating Officer and Chief Financial Officer

Other Participants

- Andrea Teixeira, Analyst
- Bill Chappell, Analyst
- Dara Mohsenian, Analyst
- Jason English, Analyst
- Kevin Grundy, Analyst
- Lauren Lieberman, Analyst
- Mark Astrachan, Analyst
- Nik Modi, Analyst
- Olivia Tong, Analyst
- Robert Ottenstein, Analyst
- Steve Powers, Analyst
- Steve Strycula, Analyst
- Wendy Nicholson, Analyst

Presentation

Operator

Good morning, and welcome to Procter & Gamble's Quarter-End Conference Call. P&G would like to remind you that today's discussion will include a number of forward-looking statements. If you'll refer to P&G's most recent 10-K, 10-Q and 8-K reports, you will see a discussion of factors that could cause the Company's actual results to differ materially from these projections.

Also, as required by Regulation G, Procter & Gamble needs to make you aware that during the discussion, the Company will make a number of references to non-GAAP and other financial measures. Procter & Gamble believes these measures provide investors with useful perspective on underlying business trends and has posted on its Investor Relations website www.pginvestor.com, a full reconciliation of non-GAAP financial measures.

Now, I will turn the call over to P&G's Vice Chairman, Chief Operating Officer and Chief Financial Officer, Jon Moeller.

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Jon R. Moeller {BIO 16200095 <GO>}

Good morning. I'm here at home by myself coming to you through my cellphone. John Chevalier is at his home and has prepared to jump in if for any reason, my connection fails and I can't reestablish it. We're all going through a difficult and challenging time. And I want to start by expressing our sincere hope that you and your families are safe and are well.

Thank you for joining us on accelerated timing. Our motivation in advancing the timing of this release was simply transparency, getting information to you and to the market as quickly as possible. We've had a very strong quarter. I'm going to start by outlining our priorities in the crisis period. These have been and will continue to guide our actions and our choices. I'll then move quickly to strategy, which remains unwavering. I'll discuss actual and potential results for three time periods, the quarter, we just completed, which as I said was strong, the long-term on the backside of this crisis. And then the short to mid-term as we all work our way through this. Following this, I'll answer a couple of anticipated questions and then turn to additional questions that are on your and your client's minds.

Our first priority in this crisis is to ensure the health and safety of the men and women we work with, our colleagues around the world. Second, we're maximizing the availability of products that help people and their families with their health hygiene and cleaning needs, which have never been greater. The next priority is helping society meet and overcome the challenges we all face.

Taken together, these priorities help ensure P&G is there, there for employees, there for consumers, there for communities, who have always been there for us. Let me briefly discuss each of these priorities in turn.

Employee safety and health. With guidance from medical professionals, we're constantly evaluating and updating the robust measures already in place to help our people, who are making, packing and shipping P&G products, stay safe at work. This includes temperature scans, shift rotations, queueing avoidance and physical distancing or performing comprehensive methodical cleaning of all production areas, including regular standardization and surface disinfection that exceeds the most rigorous health authority standards.

We're also equipping and encouraging all employees to make smart appropriate choices, such as staying at home if they feel unwell or part of high-risk groups or have pre-existing medical conditions. In all cases, we're partnering with our colleagues individually and proactively to ensure they feel and are protected and safe. This has never been more important as many of our facilities are running around the clock to deliver P&G products during this period of increased demand.

Our industry-leading benefits plans play a critical role in providing P&G people with the resources they need to care for themselves and for their families. From paid leave and comprehensive medical care to flexible work arrangements and financial support, P&G

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people can work confidently knowing that the Company stands with and behind them. It's very inspiring to witness the many acts of service people are taking to support and care for each other, demonstrating creativity, flexibility and commitment, truly P&G people at their best.

Turning to product availability. The P&G products play an essential role in helping consumers maintain proper hygiene, personal health and healthy home environments. Our products clean your laundry, your home, your hair, your body, your hands, and we clean and shave your face. We provide hygiene products for feminine protection, baby care, adult incontinence and bathroom needs.

Hair Care, shampoos to clean hair and conditioners and treatments to improve hair health. Facial cleansers, body wash, hand soaps and antiperspirants and deodorants address additional hygiene needs

Our OTC healthcare products provide proactive health benefits as well as important symptom relief. These products are more important than ever given the needs presented by the current crisis. The increased awareness around health and hygiene and the additional time we're all spending -- many of us are spending at home.

Consumption of hand soaps is obviously increased. Consumers in the US are doing more laundry loads per week and washing more garments after wearing them just once. More loads are being done with unit-dose detergents, we've seen a spike in demand for Tide Antibacterial Spray.

Dish care consumption has increased. As families eat more meals at home and are more concerned about the hygiene of their dishes, glasses and silverware. More meals at home means more surface cleaning, often with a preference for a disposable cleaning solution versus a funky sponge, dingy cloth or suspect mop leading to increased consumption orf Bounty Swiffer and Mr. Clean.

In late February, we launched Microban 24, an antimicrobial technology that keep services sanitized for up to 24 hours, when used as directed. The power behind Microban 24 is a multi-layer protective shield that binds the bacteria fight and ingredient to the surface that's being cleaned even when contacted multiple times healthy home stay cleaner and more hygienic longer.

We've been working lockstep with governments around the world to make sure we can continue to operate, enabling us to help people and their families meet the health hygiene and cleaning needs. Our operations remain resilient As of today, our 108 manufacturing plants along with our network of external suppliers are broadly operational with only a few and modified capacity as a result of regulation, workforce travel restrictions, curfews, material availability or quarantine needs.

March was a true test for our product supply planning and logistics organization which they passed with flying colors. We set records for volume of product produced and shipped. Our largest five North American plants produced and shipped 22% more cases

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in March than the average of the prior 12 months. The P&G supply organization delivered similar records across Europe, Latin America and other parts of the world. Incredibly impressive.

Moving to the next priority. P&G has a long history of supporting communities in times of need with the products we produce and other forms of support. P&G donations of product and cash are significant and will continue to increase as we work with communities around the world to support their efforts to help people through this crisis. Millions of P&G products are being donated helping to ensure that families have basic access to the everyday essentials, many of us take for granted.

We're partnering to provide additional support with some of the world's leading relief organizations, including the International Federation of Red Cross, Americares and Direct Relief and key regional organizations such as, Feeding America, Matthew 25 Ministries, the China Youth Development Foundation, One Foundation, the Korea Disaster Relief Association, the United Way, and many others.

We're working to protect healthcare workers and first responders. The United States Center for Disease Control has issued guidance recommending proper shaving when wearing N95 and similar respiratory mask in order to ensure proper mask set for maximum protection. So I just donated razors around the world to hospitals and other facilities to protect the people working to care for others. We've modified equipment to produce hand sanitizer in nearly a dozen manufacturing sites around the world, using it to ensure our people can continue to operate safely and sharing it with hospitals, healthcare facilities and relief organizations.

Colleagues in our Gattatico plant in Italy volunteered to create an extra shift to produce surface cleaning and sanitizing products that are being donated to 70 hospitals across that country. Work is underway to produce critically needed non-medical face masks. We're already up and running in China and the US, and we currently have teams working to install additional capacity in every region of the world and will quickly begin production in those areas in coming weeks. When fully operational, we expect to be producing more than 10 million masks per month.

We've leveraged P&G R&D, engineering and manufacturing capability to quickly produce face shields in Boston and Cincinnati, which are currently being used in hospitals in COVID-19 testing center. We're using our marketing and communications expertise to encourage consumers to support public health measures to help flatten the curve and slow the spread of the virus.

P&G is committed to the priorities of ensuring the health and safety of our employees, maximizing availability of products and helping society overcome the challenges of the crisis. Our strategic choices remain the right ones and serve each of these priorities. Our portfolio of daily use products, many providing health hygiene and cleaning benefits and categories where performance plays a significant role and brand choice.

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Superior science-based products delivered with superior packaging, retail execution, consumer communication and value in all price tiers where we compete.

As you know we've made investments to strengthen the long-term health and competitiveness of our brands and we'll continue to invest to extend our margin of advantage and quality of execution improving options for consumers around the world. The strategic need for this investment, the short-term need to manage through this crisis and the ongoing need to drive balanced top and bottom line growth including margin expansion each underscore the continued importance of productivity.

We're driving cost savings and efficiency improvements in all facets of our business in our second five-year $10 billion productivity program. Cost productivity and cash up and down the income statement and across the balance sheet.

Success in our highly competitive industry requires agility that comes with the mindset of constructive disruption. A willingness to change, adapt and create new trends and technologies that will shape our industry for the future. And in this environment that agility and constructive disruption mindset are even more important. How can we be even safer while both producing and helping more. What new needs must we meet in what new ways, an ongoing mindset of constructive disruption and disruptive possibility. Our new organization structure, six industry-based sector business units that manage our 10 product categories with a differentiated approach and focus markets and enterprise markets. And very small corporate groups with best-in-class function expertise is serving us well. A more empowered, agile and accountable organization with little overlap or redundancy following to new demands, seamlessly supporting each other to deliver our priorities around the world.

These strategic choices we've made to focus and strengthen our portfolio in daily use categories, where performance drives brand choice to establish and extend the superiority of our brands, to make productivity as integral to our culture as innovation, to lead constructive disruption across the value chain and to improve organization focus, agility and accountability are not independent strategies, they reinforce and build on each other.

As we said at CAGNY, the best response to the uncertainties and sources of volatility we face is to double down on this integrated set of strategies, which are delivering very strong results. These integrated and mutually reinforcing strategies are a foundation for strong, balanced growth and value creation. The best response to what we are challenged with today is to push forward, not to pull back and that's exactly what we intend to do.

I want to now describe how this approach has played out in the quarter we just completed and how we think it could play out across both the longer term and the arguably more challenging short to mid-term.

First, as I've said, strong results in the January to March quarter. When we spoke with you at the CAGNY conference on February 20th, we said that results for the January to March

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quarter in China and for the total Company would be materially impacted on both the top and bottom line by the dynamics affecting the market in China.

Remember at that point in time, COVID-19 was really just a China and travel retail issue. Korea have reported only 50 cases. The US, Japan, Italy and Iran combined had reported only 30 cases. 15, 10, three and two respectively. At CAGNY, we were internally expecting organic sales in Greater China, our second largest and second most profitable market to be down as much as 20%. Through the incredible efforts of our organization, we did much better than we were expecting at Greater China, down only 8% excluding travel retail.

We saw strong lift in our categories in e-commerce to make up a portion of sales lost in closed physical stores. We quickly restored production capability, built share as a result and are now operating at very close to full strength.

As the pandemic unfortunately developed in the US and Europe as the quarter progressed, demand surged. We finished the quarter with organic sales growth of 10% in the US; 14% in Canada; 6% and European focus markets; 15% in European enterprise markets; and 11% in Latin America.

At CAGNY, we were internally projecting Q3 organic sales growth for the Company of around 2%, we delivered 6%, with nine of 10 categories growing organic sales. We built aggregate share despite temporary out of stocks on some of our highest demand items. While we don't have final US all-outlet share through March, share results and track channels through March show broad-based growth

Vicks respiratory products were up more than 4 points. Metamucil and Pepto-Bismol up 3 points. Olay moisturizers and Oral-B power toothbrushes up more than 2 points. Always pads, Always Discreet, Tampax, Tide, Dawn, Cascade and Gillette blades and razors each up 1 point or more.

Pantene, Head & Shoulders, Old Spice, Native Secret, Crest, Mr. Clean, Gain and Bounce each growing share.

As you can see in the track channel, our share declined recently in Baby and Family Care categories due largely to out of stocks in our high demand brands. We're pushing production to its limits, but we expect to share softness to continue, while consumer pantry stocking remains at extreme levels.

In China, we built share in offline stores and in e-commerce. Safeguard and Gillette delivered strong share performance in both channels. Head & Shoulders was particularly strong offline. And Olay, Whisper and Pampers posted solid online share growth.

Top line results this quarter obviously benefited from consumer pantry loading and preparation for in-home quarantining. We're planning for pantry inventory levels to eventually return to normal. This higher level of consumer demand was served with our

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ramp up in production level and the depletion of retailer inventories. As at home inventory decreases, we expect to refill the retail inventory pipeline.

We believe the net effect of all this shifted about 2 points of sales growth on a global basis from Q4 into Q3.

Back to CAGNY, we were expecting a slight decline in core earnings per share for the quarter. We delivered instead $1.17 per share, an increase of 10%. The significant volume of sales increase, related fixed cost leverage and our ongoing productivity efforts more than offset a growing FX challenge and higher virus-related operational costs. Commodities also provided a benefit.

Core gross margin up 120 basis points excluding currency, up 130 basis points. Core operating margin up 100 basis points. Currency-neutral core operating margin of 180 basis points. Core earnings per share up 10%. Currency-neutral core earnings per share up 15%. $4.1 billion in operating cash flow. Adjusted free cash flow productivity at 113% returning $2.8 billion in cash to shareowners, $1.9 billion of dividends and $900 million in share repurchase.

So January-March 6% organic sales growth, 10% core earnings per share growth, 113% free cash flow productivity building share. Fiscal year-to-date, 6% organic sales growth, 16% core earnings per share growth, over 100% adjusted free cash flow productivity building share.

Just two days ago, we announced a 6% increase in our dividend, reflecting both these results and the confidence we have in our future. This was the 64th consecutive annual increase and the 130th consecutive year in which P&G has paid a dividend. So that's January through March and fiscal year to date. Very strong results in very difficult conditions.

Shifting to longer-term. We remain well-positioned to server consumers and create value in a very attractive industry. And as I said previously, our strategy to do this is unwavering. Consumption of our products is not likely to dissipate. In fact, the relevance of our categories and consumers lives potentially increases. We will serve what will likely become a forever altered health hygiene and cleaning focus for consumers who use our products daily or multiple times each day.

There may be an increased focus on home, more time at home, more meals at home, more cleaning of homes with related consumption impacts. The importance of noticeably superior performance potentially grows. There is potential for increased preference for established reputable, dependable brands that solve newly frame problems better than other alternatives, potentially less experimentation.

Potential for a lasting shift to e-commerce both e-tailers and omnichannel. Our experience to date makes us believe we are generally well-positioned in this environment. Increased demand has focus retailers on the core SKUs that drive the business. There is potential for this result in a cutting of the long tail of inefficient SKUs and brands in our categories.

We're discovering daily lower-cost ways of working with fewer resources. Today's necessity birthing the productivity intentions of tomorrow. New digital tools are being brought to the forefront providing another productivity rocket booster on the factory floor and in the office environment. So in the longer term, we believe we are relatively well-positioned to serve consumers' heightened needs and their changing behavior, to serve the needs of our retail and distributor partners across channels and geographies and to create value.

In the short to mid-term, outcomes are frankly anyone's guess. Epidemiologist still have wide variations in their best and worst-case scenarios for viral spread, mortality, the shape and duration of the curve. We may see months of sporadic production suspension due to local quarantines and raw material supply. It's not just our operations that matter here, it's those of our suppliers, of contractors and of our transportation partners. A lot must go right in a very challenging environment. And not all of it will.

Customers may close stores. They will continue to be extreme foreign exchange and commodity costs volatility. Added operational complexity will result in higher costs. Unemployment will impact outcomes perhaps severely. All of this occurs on top of what was already unprecedented uncertainty and volatility in our categories and markets.

But as you saw in the development of the business and just five weeks from CAGNY to March 31 and as we've just talked about in our long-term outlook, where there is volatility, there are opportunities to serve as well as challenges. There's a very wide range of possible near term scenarios and it's futile to spend too much time trying to assign probabilities to each. We'd be fooling ourselves and fooling you to try.

As we stand here today, though, we continue to believe our guidance ranges for the fiscal year on both the top and bottom lines remain relevant. Our internal forecast remain within these ranges, but I must again emphasize ranges, and I must again emphasize the degree of uncertainty volatility we face day to day.

We currently expect organic sales growth for the year in the range of 4% to 5%, assuming continued operations in our facilities and those of our customers and suppliers.

On the bottom line, we're forecasting core earnings per share growth in the range of 8% to 11% for the year. This too, [ph] assumes no significant interruption in the extended supply chain through to our retail and distributor partners. This earnings per share range now includes over $400 million of after-tax foreign exchange headwinds. Just since CAGNY FX has moved against us by approximately $0.10 per share, over 2 percentage points for core earnings per share growth on the year. In the fourth quarter, FX is currently forecast to be a 7 point hit to core earnings per share growth.

Please recall that our fourth quarter bottom line comps include the earnings gains from the Boston land sale, and the divestiture of two Oral Care brands in the base period. These items combined are [ph] an additional 7 point headwind to core earnings per share growth in Q4. While we do expect some mid-term benefit in commodity costs on the recent decline in oil prices that usually takes about six months for movements in

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feedstocks like oil to make their way through the raw material supply chain and our inventories to our P&L.

We don't expect an offset to FX headwinds from lower commodity costs within this fiscal year. As a result of all this, you might rightly guess that we're closer, as we talk today to the bottom end of the earnings per share guidance range than the top end.

Let me also go back quickly to our priorities and note that none of the three include hitting quarterly consensus estimates. We will be focused on serving colleagues, consumers, customers, communities, building our business for the many more months that will follow this crisis than the months that will exist within it. But we'll do this responsibly and keep our choices squarely centered on mid and long-term value creation. We continue to expect adjusted free cash flow productivity of 100%, we'll extend our long track record of significant cash generation and cash returns expecting to pay over $7.5 billion of dividends, share repurchase in the range of $7 billion to $8 billion in fiscal 2020. We'll provide our first outlook for fiscal 2021 on our year-end call as we typically do in July.

Before turning to your questions, I want to address just two items I expect are on the minds. The first is liquidity. Our liquidity status remains very strong. We're a 183-year old Company this year and we take a long-term view at the balance sheet management. We aim to maintain our AA minus credit rating and to manage within the ratios that support that rating. With the $5 billion term issued three weeks ago at approximately 3%. We now have $15 billion in cash on hand and are generating more each day.

We continue to have open access to the US commercial paper markets recently issuing over $3 billion on 3-month paper as a part of our routine financing efforts. The amount of debt maturing in the next 18 months is well within anticipated cash availability, and while we don't expect to need to draw on them, we have $8 billion in bank credit lines available as needed. That's credit, very strong.

The second topic is recession. We're assuming it's already here and will be here for some period of time. We are not immune, our current strategy puts us on better footing than prior downturns to weather economic headwinds. Our portfolio is now focused on daily use items where performance drives brand choice. We have much less exposure to discretionary items than we had during the last downturn.

We've increased the superiority of our offerings, simultaneously increasing their value.

While not perfect, we have stronger entries across price tiers, better pricing ladders. We're emphasizing performance-based value and messaging, we'll serve with relevant pack sizes designed to hit key cash outlay thresholds for consumers who need to make week to week purchase decisions based on cash availability. Our productivity muscle is now well developed. None of these make us recession-proof, but they should each help.

Summing up, the men and women of P&G working together have delivered three very strong quarters, averaging 6% organic sales growth, 16% core earnings per share growth

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and over 100% adjusted free cash flow productivity. We've build market share. Our Board has increased the dividend 6%, reflecting both strong results and confidence in the future. We really do believe there is a very bright future ahead. We'll manage the short to mid-term consistent with the strategy we've outlined many times and against the immediate priorities but ensuring employee health and safety, maximizing availability of our products to serve health, hygiene and cleaning needs and helping society overcome the challenges of this crisis.

We're stepping forward not back. We're doubling down to serve consumers and our communities. We're doing this in our interest and societies' interest and in the interest of our long-term shareholders. While we may not see you in person soon, we look forward to engaging with you on the phone and would love to hear your voice. We are here with you and are here for you.

Feel free to call our offices as you normally would, our phones know where to find us. And with that, I'll be happy to take questions.

Questions And Answers

Operator

(Operator Instructions) The first question comes from the line Steve Powers with Deutsche Bank.

Q - Steve Powers {BIO 20734688 <GO>}

Good morning, Jon. Thanks for the comprehensive update. Clearly a ton of questions. I guess, maybe we could start with just a little more detail on what you're expecting in terms of the shape of demand both consumption and shipment-wise as we head into the fourth quarter especially in the US where it appears shipments like consumption, the March period that it sounds like you're expecting a reversal of that in the coming quarters. Just some more color there, as well as China, where we're as you say things seem better on trend versus where you thought they'd be in February.

And then I'm also curious it's building on your final comments there around preparedness for coming recession. I guess as you think about where you are in your fiscal '21 planning process. Can you just give us a little insight as to how clearly this has been an abrupt change? But in terms of P&G's planning preparedness, how recessionary planning has factored into your thinking more on a run rate basis -- like are you -- I guess the question from investors is, are you scrambling to put in place the recession playbook or is this something that P&G has been factoring in and considering for some time? Thanks.

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A - Jon R. Moeller {BIO 16200095 <GO>}

Thanks, Steve. As relates to the fourth quarter, there are -- as you readily appreciate a ton of moving parts. Geographies are in very different places in the cycle, categories have different levels of need and demand. There is a supply situation and then there is the retail inventory dynamic as well as consumer pantry dynamics. And again we multiply that by 100 countries around the world and 10 categories and many more brands and you realize that you probably don't have the answer.

As we were sitting together at CAGNY, five weeks ago, I don't think any of us in our conversations would have assumed how the next five weeks would unfold. And I don't pretend to know how the next 8 weeks to 10 weeks is going to unfold. Having said that, you mentioned China, our business there is rebounding nicely, both from an operation standpoint and from a consumption standpoint. We are seeing continued significant demand in our categories and the supply and retail inventories are being steadily rebuilt. In the US, when I focus on these two markets, because as you know there are largest markets, since we give you some relative feel [ph]. April has started-off very strong, double-digit rates from an order standpoint. We expect that to tail-off as the lines in our sector between retail inventory restocking and consumer demand. But having said that, we are definitely seeing increased consumption levels, not just increased buying levels to put in pantries.

I mentioned that in the US, we're seeing an increase in the number of loads of laundry that are done per week. The number of garments that are cleaned after one wearing with much more in-home meal preparation. There is a lot more cleaning that needs to be done and we're seeing consumption. For example, at-home consumption of cleaning aids whether that's surface cleaners or paper towels or Swiffer continuing to be very, very strong. Our Home Care business, if I have my numbers right was double digits in sales and that's following our line with -- what we're seeing in terms of consumption.

Now having said all of that, sorry for the long answer, but there is no short one. We have never faced the level of unemployment that we're likely to see in this country and potentially and others. And we don't know how long that will occur for. We have never faced a complete shutdown of very important channels of commerce, whether that's travel retail, whether that's the electric channel, in Europe, whether that's a specialty beauty channel. So there is a huge amount of volatility that we're likely to experience and we'll learn more every day.

Our fourth quarter sales guidance deductively given fiscal year-to-date results and our fiscal year guidance as minus 2 to plus 2. As I indicated in my prepared remarks, the pull-forward from Q4 to Q3 was about 2 points. So that minus 2 to plus 2 on an apples-to-apples basis is really zero to four. And while that may not seem like a lot given six year to date, we call again, a number of things. One, it's our highest comp periods. So last year, organic sales by quarter were 4%, 4%, 5% and 7%. Two, we'll have a full quarter of the impact of these channel closures and store closures. Three, we'll have the inventory dynamics, however those net out that I described.

So when you put all that together zero to four, accurate, I doubt it. But it's representative of the combination of all those dynamics. So it's the best number we have. And again, I apologize for the length to this answer, but it's not a topic that lends itself to simple formula. On recession and recessionary playbook, I really do believe that we have made major steps as a company, since the last recession that significantly improve our hand. Whether that's productivity, whether that's a focus on superiority which is critical, because it's certainly price points matter and we're prepared to address that. But overall value

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proposition really matters. And at a time when there is heightened concern about the need for a product to work and be efficacious, as I take care of my family and my home, that the superiority plays an even bigger role. So the changes we've made there, I think will put us in much better stead.

I talked about the portfolio and the difference in the preponderance of our products serving needs on a daily basis versus much more discretionary portfolio and not daily use based in some categories that we've divested. So this is a playbook that we've been developing for both good times and bad times, month by months and year by year. And I really do believe we're in a better position.

Having said that, when something significant like this happens, would it be right to sit back and assume that we've got it covered, no. So we are making very deliberate plans business-by-business, market-by-market to ensure we're as well positioned as we can be. And there will be changes and there will be adjustments, and they won't always be right. And we'll have to remain agile and learn and adjust as we go.

Operator

Next question will come from the line of Lauren Lieberman with Barclays.

Q - Lauren Lieberman {BIO 4832525 <GO>}

Hey, thanks. Hi Jon. And I was hoping you could talk a little bit. You mentioned, we know that you are focusing your production on kind of a key SKUs starting to talk about, thinking through changes in pack size and affordability. But it's also wondering about promotional spending. We've heard certainly from some of the food companies already, just about even promotion is more or less in store being shut down, US and that's happening in Europe almost seems like government mandates. So how should we think about pricing going forward, even just from the standpoint of complete change in the promotional landscape, just normal everyday kind of stuff. So that was one area of question, and the other thing I was curious about, we haven't talked much about emerging markets outside of China. And just thinking about as the virus presumably spreads and start to have a bigger impact in some of your more enterprise viewing market. How you are maybe planning for that or what kind of built into the thought process, beyond the next, kind of in a month or two, and this getting worse in emerging market. Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thanks, Lauren. The promotional dynamics in our categories are changing pretty significantly just as they are in food and beverage, which you referenced. It's really nobody's interest to be promoting products when you don't have them. When there is not a sufficient inventory to supply demand. So if we look at for the full quarter, the amount of volume in our categories as a percentage of sales that moved on promotion, that's down about 5 points. And obviously that number would be much more significant in the month of March.

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And I don't really know how that will develop going forward. But certainly, if I had to guess, there'll be less promotion in the next couple of quarters. Where the job is restocking and replenishing it, that had been the case historically.

Price in the quarter was a net benefit of plus 1, and if I look back over the last 30 quarters, prices typically been a benefit of 1 to 2, sometimes and very rarely, but sometimes zero or a minus 1, sometimes a little bit more in that range, but it's pretty much in that range.

And as I mentioned, our strategy is unchanging. So an innovation-based strategy. I don't see any reason why there will be a dramatic change in the contribution of price. Particularly also because you have significant currency devaluations in many parts of the world, where some amount of pricing will be needed over time done [ph] appropriately and sensitively to recover cost structures in those markets.

Right now in emerging markets outside of China, we're operating and thinking rightly or wrongly day by day, because situation changes dramatically. India is a good example. That market is effectively shut and will be, at least through the end of April.

We're working with governments as I mentioned in my prepared remarks to establish the essential nature of our product categories for their citizens, and therefore, gain the ability to operate which we largely have. That's been a significant focus area over the last five weeks and it's a daily endeavor.

And then once we establish our ability to operate, we then have to source materials and we have to ensure that employees can get to work, which sounds simple, but is anything but [ph].

For example, I'll go back to India, again, there is a prohibition on any transport people across state lines. And you can imagine, it wouldn't be unusual that we might have a plan or two that are located close to a state border. And you might imagine that some of the people that work in that facility live on the other side of that line. So that's just an example of kind of the level of operational agility that we're having to execute.

In order to continue operating in the Philippines, we had to basically secure access to a dorm next to our production facility in which to house and protect employees as a condition of operating.

So we're not that far out and are thinking about how to operate in these markets. Right now, it's day-to-day.

Operator

Next question will come from the line of Dara Mohsenian with Morgan Stanley.

Q - Dara Mohsenian {BIO 3017577 <GO>}

Hey. Good morning, Jon. Hope all is well on your end. So I just want to spend some time on your market share expectations going forward. The comments were helpful in terms of thinking about a recession. Obviously, you guys have had a lot of market share momentum over the last couple of years, particularly in the US. Can you just discuss the forward puts and takes as you think about at post COVID environment on your market share. And specifically what I was most interested in was consumer trade down risk in your mind.

And then also in emerging markets, as you think about covering FX pressure there with pricing relative to local competition. Can you talk about how market share dynamics would play into your thought process there? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Some real positive developments from a market share standpoint, as I walked you through over the last quarter. And no reason for those underlying trends not to continue, particularly when they're based on -- again performance advantages at a time when performance is required more than ever.

Will there be trade down pressure? I don't know, but I think it would be silly to assume none. And will there be some share pressure as a result of pricing moves that need to be made. Undoubtedly, that we're going to be very careful in terms of pricing that we do take in emerging markets and will likely tie that much more closely to local inflation than we would to the financial markets on [ph] currency.

And as a result, should encounter fewer issues relative to competition than we would, if we were just pricing to a currency conversion number.

The biggest pressure on shares in the near term is none of any of that. It's the ability to supply very, very high levels of demand in some categories. I mentioned two categories in our prepared remarks. Family Care, which is our Downy and Charmin business and Baby Care.

And let me just describe briefly some of the dynamics that occur in the Family Care category is an example. We can see a scenario, where our business continues to grow at strong double-digit rates and we lose share. That's because the market is growing at an even higher rate than that. Many of our competitors in that business source the industrial or commercial market as well as the consumer market, our business is entirely focused on the consumer market. Those companies have the ability with what is largely a shuttered hospitality industry as an example to move production from an industrial or commercial focus to a consumer focus. You don't have that excess capacity to make that move.

So our throughput is up significantly on a per line basis, the results are going to be very, very good. But we will probably in that context lose some share. So what I wouldn't expect going forward and I'm -- here I'm talking about the next three months to six months is continued steady increase in share levels, but I also wouldn't expect significant diminution of our position. We're committed to not have that happen, and we talk about

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that actively, but there will be more volatility in the share numbers just because of all the market dynamics that we're trying to manage.

Operator

Next question will come from the line of Wendy Nicholson with Citi.

Q - Wendy Nicholson {BIO 2081269 <GO>}

Hi, good morning. Two questions. First, pretty straightforward on Microban. It seems like great timing to have launched that, but I'm surprised you haven't expanded it to more a consumer-centric business as opposed to professional. So, any plans there. I also noticed that you don't sell Microban wipes which seems like a category that's just going to be bigger and growth year for a long time to come. So can you comment on why or why not you might into that category?

And then can you talk about just e-commerce generally. I assume servicing the e-commerce channel is no different than servicing other brick and mortar retailers. But maybe can you talk about -- I don't know that I heard how much it grew in the quarter or what percentage of business it was in the quarter, especially in the US? Thanks so much.

A - Jon R. Moeller {BIO 16200095 <GO>}

Sure, Wendy. Let me start with the second part of your question. The e-commerce business grew about -- globally about 35% in the quarter. It's now about 10% of our business globally and we've talked many times previously, we view ourselves as very well positioned within that channel and continue to strengthen that position. The two largest sources of growth by far are the US and China, with some categories growing in e-commerce in those two markets as much as 50%. And obviously, the at-home dynamics and the unwillingness to congregate in physical stores is driving a fair amount of that, and we'll have to see where that nets out. But I don't think it all goes away. I think we've seen a permanent shift in the percentage of business that's going to be done in e-commerce, and we view that positively.

And when I talk about e-commerce, I'm talking broadly, including omnichannel, click and pick and all forms and variety of e-commerce.

Microban is a wonderful, fantastic product. We were serendipitous in terms of our launch timing. We are at full capacity at this point and are focused on the products we currently have in market and the channels that we're currently operated in. But obviously, we'll work to build that business to its full potential, and that could include a number of different avenues of pursuit.

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Operator

Next question will come from the line of Olivia Tong with Bank of America.

Q - Olivia Tong {BIO 7481692 <GO>}

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Thanks, good morning, Jon and John. Two questions here. How do we change how you think about new product rollout timing to some ideas get backtracked while others get pushed out promotional strategy. How you mark it and build China [ph] because obviously, market advisers can't really do their job right now?

And then secondly, in terms of margin, how does the current environment sort of help or hurt the margins because the categories that are moving are typically lower margin. The commodities have obviously come down and promotion isn't quite necessary in many of these categories in the near term. But on the other hand, FX is worse and we expect to see some trade down. So just those two areas, if you could elaborate on both that would be great? Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

So we obviously saw positive margin development in the quarter we just completed. We've seen positive margin development fiscal year-to-date. Our guidance would imply positive margin development for the fiscal year. And as we talk about balanced growth and value creation, I've explained many times that it's not possible to get to where we want to get from a value creation standpoint without strong top line growth and margin improvement.

Yes, there are some headwinds, but there are also tailwinds. Commodities, as you mentioned, should be a tailwind longer term. And we've got our -- we continue our efforts on our productivity program. And as I mentioned in my prepared remarks, there's additional learning that's come out of our experience the last five weeks on ways we might be even more productive, both in generating top line sales and in containing cost. So my expectation is that there continues to be a level of margin improvement going forward.

In terms of product launch, and -- we're in the middle now of going through each category and determining whether there are any changes that need to be made, either out of necessity or by design to maximize the impact of those planned initiatives. And in terms of how products are brought to market, I don't see really significant changes. There's -- for example, there's more media consumption that's occurring right now than probably there has been in the last three or four years. So changing that model doesn't really make a lot of sense. And by media, I'm talking about not just TV, but digital consumption as well.

So I don't see significant changes there. I think our model with some adjustments will continue to be relevant and effective. And then we just need to look at timing by initiative, but I wouldn't expect of that exercise either to have a significant impact on our ability to continue to grow.

Operator

Next question will come from the line of Steve Strycula with UBS.

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Q - Steve Strycula {BIO 18357963 <GO>}

Hi, good morning. And congratulations on being able to raise the dividend in a period of time like this and deliver consistency of results. So Jon, I have a question. I appreciate that the Company has pivoted and evolved this portfolio to more daily use products over the last decade. But could you help us for the products that you still had in today's portfolio? How did the organic sales really performed during financial crisis for those products that are still in the portfolio today? And I have a quick follow-up.

A - Jon R. Moeller {BIO 16200095 <GO>}

I don't have a category-by-category analysis of that. I just haven't had the time to get to that, though it's a very good question. But what we do know, and we were first started learning on over the last five weeks, is what's happened to market sizes in our categories during times of recession. And as you'll readily understand, our categories are not immune from recessionary impacts, but they're much less sensitive to that dynamic than most other categories across industry.

And so if we look at recessionary periods, the market has typically contracted in terms of its growth rate. So it's continued to grow. That has contracted maybe 1 point. So then the question becomes, okay, one, can we do anything about that? I don't think we can. Two, what's your relative position within that market? And are you well positioned to at least hold your ground, if not, build your position? And again, I feel better about that than I have at any time in our recent history. That doesn't mean that there won't be categories that from a market standpoint aren't impacted more than others. And that doesn't mean that there won't be individual situations typically at a brand or category country level, where we, in fact, do lose some share. But I mean, put it this way, as we think about our planning for next year, we're not giving ourselves any break relative to share. We expect to hold and build share.

Q - Steve Strycula {BIO 18357963 <GO>}

Thanks for that. And then as a quick follow-up. For emerging markets, I'm not asking about the month of April. We're taking a longer-term view here. But in a marketplace where maybe some of the points of distribution are temporarily shuttered and consumers are being impacted by the macro, can we expect that volumetrically, household, personal care products as an industry should be able to grow during a period like this of volatility? And what can you guys do within Procter's capability to really execute under that type of environment? Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

Absolutely, we should expect growth in these markets absent physical barriers, either regulations or operational barriers that prevent product from getting first into stores and into markets and into consumers' hands. It's not necessarily a harbinger of the future. But I mentioned, Latin America is an example, growing 11% in the last quarter. The fundamental drivers of that demand remain as we go forward.

In terms of our ability to capture those opportunities, our strategy in emerging markets is fundamentally the same as -- and it's been working very, very well from both the top line

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standpoint and a bottom line standpoint. By the same, I mean, a focus on superior products and daily use categories where performance means brand choice delivered as productively as we can, and we still have lots of opportunities to improve in that context with excellent communication, best-in-class go-to-market execution. The playbook is the same and works in enterprise markets.

Operator

Next question will come from the line of Jason English with Goldman Sachs.

Q - Jason English {BIO 16418106 <GO>}

Hey. Good morning, folks. Thank you for signing [ph] in. Jon, you've covered a lot of ground, and I appreciate the fairness. I love just to dive into a couple of businesses in minimal depth as possible. First, you mentioned that travel retail has been more challenging. Can you contextualize how large is it for you as a percentage of sales? And how it performed last quarter and what you're seeing more recently? And secondly in terms of results, grooming was a bit of a surprise to me. And you mentioned in the press release a weakness in North America, maybe I missed it. But I don't think you covered-off on in prepared remarks. Can you touch on what's happening in the Grooming business, please?

A - Jon R. Moeller {BIO 16200095 <GO>}

Sure. Thanks. Let me start in a slightly different pace, but I will get to your end points. The beauty business generally, and which is a primary business that sold in travel retail, continues to perform very strongly. We had our 17th quarter of organic -- consecutive of organic sales growth in beauty, and what is arguably the most difficult quarter we faced in a long, long time. Really significant and positive growth across almost all parts of the portfolio, so we overcame in the quarter a greater than 20% reduction in SK-II sales, with solid growth in our other categories.

The travel retail business, specifically is round numbers $1 billion business that's gone. It's gone because there is no travel. Having said that, that products that were bought in travel retail were consumed in markets. And our job needs to be to make up, so that travel retail loss in the near term, by serving those markets. And we are, for example, seeing significant uptick already on SK-II consumption purchase in Mainland China, which was one of the big sources of the travel retail demand. So generally performing very, very well and in beauty and we'll continue to -- the SK-II impact will have a full quarter now going forward for the next three quarters in all likelihood.

So the challenge will become greater in terms of overcoming that. But we're in a pretty good position to be able to at least make progress in that direction. From a Grooming standpoint, we don't share during the quarter on a global basis, which is great and follows on a number of periods in a row now of share growth for the global grooming business. The biggest challenge we face -- we face two challenges in Grooming currently. One is, which I just actually, I know, I talked about it, it doesn't matter, is the closing of the electric channel in Europe, where a large amount of Braun products were sold. That also affects by the way our Power Oral Care business, which also utilized in our channel. But

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presumably as soon as that reopens which hopefully will be soon, that challenge dissipates. The other challenge is lower shave frequency while working from home, to put it bluntly. But that's something we're currently working through, as I said we've built share, we want to maintain our share position.

We need to work with our retail partners as well who have, in some cases de-prioritized, remain in the very near term to deal with the empty shelves and some of the other aisles of the store. And if we can do that effectively no reason we can't continue to hold and build share

Operator

Next question will come from the line of Andrea Teixeira with JPMorgan.

Q - Andrea Teixeira {BIO 1941397 <GO>}

Thanks. And I wish you a continued health all of you in this call. Jon, I appreciate the bridge of underlying 0% to 4% globally. And just to think about the percentage by region, what are you seeing in terms of the pickup in China? And I think you alluded, a little bit on the call an improvement in beauty and baby there? And do you expect -- by math, 80 basis points drag in the third quarter seemed flat in the fourth and be above the 0 to 4 range that you implied. And also a question on mix, with just improvement in skin care globally and in China coming back help the mix effect, which I think was flat in the quarter, just completed but typically, it was up 60 to 100 basis points in the past. Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

So definitely relative to the quarter that we just completed, China offers upside quarter-to-quarter sequentially. And I expect that upside is significant. I would see us growing that business ideally at very healthy levels, at pre-crisis levels ideally, in the subsequent quarter which you're right, would get it -- get a lift to the 0 to 4 kind of logic. We are seeing at least in China, mix come back in pre-crisis levels. From a positive standpoint, I mentioned the strength of the SK-II restart as an example. So that also was a positive, but remember we have massive challenge ahead of us collectively in the US and Europe, depending on how the economy develops. I mean we literally since the Great Depression, have not managed with the level of unemployment, we might see. So if the question behind your question is there upside to the 0 to 4, I would encourage you not to go there.

Operator

Next question will come from the line of Nik Modi of RBC Capital Markets.

Q - Nik Modi {BIO 7351672 <GO>}

Yeah, good morning everyone. Jon, it's pretty clear looking at the data that consumers are migrating back to big brands, now that could be because of the variability or just safety and comfort and knowing that they're getting. But I'm just curious on two fronts, one is kind of as you've been interacting with retailers. How do you think this is all going to shake out in terms of how they think about taking on the brand? I think you made some

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comments earlier in the prepared remarks on that, but any specifics will be would be helpful.

And then the second thing is, lot of trial happening right now for a lot of brands that maybe consumers may not have tried and some of your brands. And so I'm just thinking about proactively like what Procter & Gamble can do to kind of create stickiness with some of that trial going forward? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

I'm going to focus my comments on the US. There has been active partnership very active partnership on the part of ourselves than our retail partners. To ensure that the SKU lineup that exists in stores today maximizes throughput all with the design to best serve our consumers and their shoppers, to ensure their product is available. So there has been -- in some categories a fairly significant concentration of SKUs -- on the power SKUs that generate the most movement, we're not at a place yet. As I mentioned, we're retail inventories have been sufficiently replenished. So for them, for the near term, I think this dynamic continues. But they and we are very focused on staying in touch with consumers and consumption and what they demand. And that will ultimately be the driver of our SKU lineups, and I don't see situations where our retail partners and ourselves will view that very differently, as long as we keep our eye on their shopper and in our consumer.

And our SKU portfolios will need and where the fully serve consumers, so we expand. But I don't think it necessarily goes back to everything that was on the shelf previously, I think this is a reset opportunity for us and for our retail partners, that I'm encouraged by the conversation so far, in terms of approaching that in a constructive partnered fashion. But the trial dynamic that you mentioned unfortunately works both ways. So I gave you an example, for example, in Family Care where there are consumers, that are trying products that they haven't tried before but they aren't necessarily ours. And we need to work hard to ensure that we maintain, mental and physical availability to the greatest extent possible. So that those consumers return to their loved and trusted brands, which are ours, as they're more fully available.

On the other hand, you're right, there's big upside here in terms of reminding consumers of the benefits that they've experienced on our brands and how they've served their and their family's needs, which is why this is not a time to go off-air. I've talked to several other companies in different industries now who are viewing this as a time when we should be cutting back on support. And obviously, if you're in an industry that doesn't operate in this environment, that makes sense.

But in ours, I mentioned more media consumption now than ever, your trial retention point builds on that. And this is -- and it all ties back to the comment I made several times in our prepared remarks about doubling down and moving forward not backward. This is not a time to retrench. And really that's all in service, in service to consumers and in service to our retail partners and we believe in service to broader society.

Operator

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Next question will come from the line of Kevin Grundy with Jefferies.

Q - Kevin Grundy {BIO 16423871 <GO>}

Thanks. Good morning, Jon. And congratulations on a strong quarter, particularly in the current environment. Jon, I want to come back to longer-term implications for consumer behavior given the nature of the current recession increased working from home and social distancing and what this is going to mean longer term. You touched on some of this so positive for cleaning products and Fabric Care, potentially negative for categories like blades and beauty, with people working from home. So I wanted to come back to this. As you see it, what are the longer-term implications versus those that are more transitory? How are those conversations going internally? How is the organization balancing near-term objectives given the challenges in the current environment versus potentially modulating the playbook here a bit with what could be longer-term structural changes to demand in some of these categories? So additional thoughts there would be helpful. Thanks, Jon.

A - Jon R. Moeller {BIO 16200095 <GO>}

We need to stay very close to consumers and their habits, needs and desires more now than ever, just because we're at change [ph] points in their habits and their consumption levels, and we need to understand those and be responsive to those.

We actually meet, as a portion of the leadership group, three mornings a week at 7 o'clock. And one of the things that we're very focused on in that meeting is what is changing relative to consumer need. And making sure -- I mentioned SKU portfolio is one example, but making sure that we're positioning ourselves to serve those changing needs as well as we possibly can.

I think the net in terms of demand impact on our total portfolio is clearly a positive longer term. And I don't -- when I say that, I almost -- I don't want to minimize for a second any amount of human suffering that's led to the situation, but we are seeing increased levels of consumption in the majority of our product categories.

Even when we come to something like beauty, remember, I talked about how this is the 17th consecutive quarter of organic sales growth in a row. And to get to organic sales growth on beauty, with a minus 20%-plus number on SK-II, you have to assume very healthy purchase and consumption levels across the portfolio, which we're seeing.

And I don't see a reason that, that wanes. So generally, thank you for pointing again to the long term, which we view as -- we want to -- it's a trite and overused statement, but we really do expect to come out of this stronger than we went into it. We really do believe that there's a very bright future ahead. And to your point, we need to be very deliberately keeping ourselves aware of what those opportunities are and putting steps in place to be able to seize those opportunities, again, really under the heading of fully serving consumers.

Operator

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Next question will come from the line of Mark Astrachan with Stifel

Q - Mark Astrachan {BIO 15313233 <GO>}

Yeah. Thanks and good morning, Jon. I wanted to ask just briefly on private label. So how should we be thinking about -- how you're thinking about what potentially happens, brands versus private label as, obviously, unemployment increases?

To your commentary, what specific things do you think we should be watching for categories that are more susceptible than others? I recall paper beads [ph] being one of those that we've watched historically. And so what are you concerned about? What are things that we should be focused on? And how do you think about that in terms of playing out this time around? Thanks.

A - Jon R. Moeller {BIO 16200095 <GO>}

Generally, so let me take you through recent trends, and then I realize your question is more future-focused. We're seeing modest increases in private label share in North America at the same time that we're building significant share ourselves. We're seeing private label share declines pretty consistently in Europe at a time when we're building share there as well. We can grow our business and our share. I mean, Europe is a prime example. We've done it for years during a time when private label is growing. So that's the first and very, very important point.

Second, in terms of recessionary dynamics as it relates to private label, I don't -- we see a number of different behaviors which affect that overall equation. There are certainly a subset of consumers for whom price becomes a significantly greater portion of their personal value equation, and that will, in some cases, result in trade-down to private label.

Our job becomes having an offering -- an alternative for them that allows them to achieve the same objective within our branded portfolio, and we have many more rungs in that pricing ladder now than we had during the last recession.

There are other consumers who move the other way, for whom performance, efficacy, dependability, I can't afford to be wrong. I can't buy two, so I need to buy the best results in a migration to branded offerings. And that's different by category and by market. But again, going back to something we've mentioned a couple of times in this call, I don't see any reason for us to have an expectation of ourselves that we hold or build share over a reasonable periods of time. I mean, a given month, a given quarter, a given category, a given country, we'll have issues. But our expectation is that whether this is a V-shaped recovery, whether it's L-shaped recovery, whether it's a prolonged recession, with our portfolio is structured today, continued focus on superiority, continued focus on excellence and execution, we should be able to hold and build share positions.

Operator

Your next question will come from Bill Chappell with SunTrust.

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Q - Bill Chappell {BIO 1737315 <GO>}

Thanks. Good morning, and hope you doing well, Jon. Two quick questions. One, I'm not sure you can answer, but maybe from what you've seen in China or what you've seen elsewhere. I mean, if you're looking at a given category that had 10% type increase, would you say like -- is there a way to say like 5% of that is pantry stocking, 2% of that is stay-at-home orders and then the rest is just normal growth? I mean is there any way to look at that?

And then secondly, on advertising, kind of what's the plan in this environment? It seems like most large CPG companies have moved away from product advertising and moved more to kind of this is company message, and we're all in this together, which is great, but just didn't know if the longer term kind of change or cut back? Or is that something just temporary?

A - Jon R. Moeller {BIO 16200095 <GO>}

So in some categories, Bill, we have -- we do have the ability to tease out increases in consumption from pantry loading, et cetera. And for example, there are several categories in the US, where we have a panel of either consumers or devices, washing machines, dishwashers. That give us information on a routine basis and consumption levels. And where we have that in place, that's how we're able to know. For example, when I mentioned earlier, what's happening to wash frequency of clothes and what constitutes that load. The same in a dish washing context. So we're able to in those categories, see very clearly the increase in use and consumption, and obviously then deduct into what might be pantry stocking. There are other categories where we don't have as good -- as good a visibility into that, but we're working to develop that ability across each of the categories and the major markets, and that's a clear focus.

But I would say that in general, we're seeing as much as a 20% increase in consumption across categories where you'd expect to see that. And the balance is -- pantry to some extent, but remember also in many of our categories, pantry availability itself leads to greater usage. I start conserving on my usage, for example, of paper towel or certainly bathroom tissue, as I have reached the end of my inventory to differ that trip to the store and certainly of a way the situation where I don't have any available. If there's lots available, I'm typically not rationing or conserving. So just having their results in increased consumption in many of our categories.

I'm not the expert in the company on advertising, but I would offer a couple of thoughts. Helping consumers understand how they can meet their own perceived and critical needs for them and their family through the use of our products in many categories is a public service. And as well, if you know that for many years, well before this, we focused on, if you will, both think about the Always Like a Girl campaign as an example. And done well, you can do both simultaneously. But again, I'm not the advertising expert. If you want more perspective on that, feel free to call my friend Marc Pritchard.

Operator

Next question will come from the line of Rob Ottenstein with Evercore.

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Q - Robert Ottenstein {BIO 1498660 <GO>}

Great. Thank you very much. And Jon, thank you -- you and your colleagues for all the things that you're doing to make Procter & Gamble increasingly indispensable [ph]. Two questions. First, clearly e-commerce is becoming increasingly important, obviously in the US and in China. Can you talk about the things that you were doing to become increasingly advantaged and meet the needs of your e-commerce partners in the US and China. And maybe what your market share looks like in e-commerce versus brick-and-mortar in the US and China?

And then the second question obviously 6% increase in the dividend is impressive. But I think what would be most interesting for me is to understand the thought process that increase, given your very clear eye view of the sort of challenges that the world faces over the next 12 plus months. So how did Procter & Gamble think about that sort of increase in that context? Thank you.

A - Jon R. Moeller {BIO 16200095 <GO>}

Let me start with the second question. We have a very simple philosophy and beliefs, which is that the cash we generate is not ours, it's yours. And we have less, of course, after meeting the needs and opportunities that are presented by attractive investments. We're having a good year. And if we deliver against our guidance, it will be 8% to 11% core earnings per share growth. Operating earnings growth has been pretty much in line with that. And going back to the philosophy and the commitments, that results in a certain outcome.

Our business is generally highly cash generative. So I mentioned, we generated $4.1 billion of cash in the quarter. Our payout ratio, with the move we've just made is a little bit under 60%. So there is plenty of room there, if you will. So it really stems from our philosophy and our commitment and our result and the cash generative nature of our business. And I don't expect that to change going forward.

Obviously, in extreme situations, we might come to a different conclusion. But so far, we've been weathering this situation fairly well. And expect to do well as we go -- as we go forward. I might also just comment on the general topic of capital allocation. I started receiving some questions on share repurchase, and whether that's appropriate use of funds in this environment. And I don't fully understand the question. I do -- know if you're accepting government support or something like that, but again, going back to our philosophy that's your cash, not our cash, that needs to come back to you, either through a dividend or share repurchase.

And probably the worst thing we could do at this period of time, when I go back to our priorities, the third one being to help society to get through this crisis, is take a bunch of cash and sit on it. We're much better off, I think returning that cash to society and helping people during a very difficult time. And as you know, we have a large percentage of retail shareowners, individual people. And we have a large ownership position from pension funds which are representing the needs and wants and dreams and desires of frontline health care workers, of firemen, policeman, of the bus driver, of teachers. And so I don't

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see any reason not to maintain the steps we've taken for many, many years relative to cash return, and I think it's more vital now than ever.

Sorry, I got kind of waylaid [ph] on that point, but it's one I feel strongly about. Relative to e-commerce, it differs pretty widely, by category, by country. But generally our market shares in e-commerce are -- our online shares are equal to our offline shares or slightly ahead. And also our margins are generally in line, online and offline. In general, the things that we do to win and best serve consumers offline or relevant online as well. But there are some specific things we can do to better serve those online shoppers and online retailers. For example with packaging, that's designed to survive the e-commerce journey, which is physically very demanding. And we're working to develop proprietary packaging that improves packaging integrity and consumer experience in that specific channel. So there are channel specific areas of superiority, that we can help our customers to be relevant in, and then in the process increase our relevance.

Operator

There are no further questions at this time.

A - Jon R. Moeller {BIO 16200095 <GO>}

Thanks everybody. Stay well, stay safe. We're here, don't hesitate to call. Have a great day.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day

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